



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LAKE COUNTY**  
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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Developmental Disabilities Board Fund, and Board of Alcohol, Drug Addiction & Mental Health Services (ADAMHS Board) Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note C to the financial statements, during 2018, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

September 24, 2019

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# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
Unaudited*

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The discussion and analysis of Lake County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2018. 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 2018 are as follows:

In total, net position increased \$14,944,342. Net position of governmental activities increased \$11,746,062, which represents a 6 percent increase from 2017. Net position of business-type activities increased \$3,198,280 or 1 percent from 2017.

General revenues accounted for \$130,347,877 in revenue or 54 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$108,991,612 or 46 percent of total revenues of \$239,339,489.

Total assets of governmental activities increased by \$40,442,930, and total assets of business-type activities increased by \$8,075,573.

The County had \$182,897,387 in expenses related to governmental activities; only \$64,379,599 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$130,163,850 were sufficient to offset the remainder of the total expenses, thus resulting in the net position increase disclosed above.

For 2018, the County adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB), resulting in the restatement of beginning net position from the previously reported \$486,058,245, to \$426,522,817.

The County's total net pension liability decreased to \$96,025,841 from \$137,809,784 and the OPEB liability increased to \$65,275,031, from \$60,432,163, a combined decrease of almost \$37 million. For more information on this liability see Notes J and K to the basic financial statements.

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

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
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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 2018?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
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Unaudited*

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

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

### **Fund Financial Statements**

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

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

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

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

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
Unaudited*

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

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

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

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

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

***Notes to the Basic Financial Statements:*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-104 of this report.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
Unaudited*

## Government-wide Financial Analysis

The following provides a summary of the County's Net Position for 2018 and 2017:

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and Other Assets	\$ 277,458,089	\$ 251,160,374	\$ 66,523,167	\$ 67,078,352	\$ 343,981,256	\$ 318,238,726
Capital Assets	160,111,556	145,966,341	244,858,974	236,228,216	404,970,530	382,194,557
<b>Total Assets</b>	<b>437,569,645</b>	<b>397,126,715</b>	<b>311,382,141</b>	<b>303,306,568</b>	<b>748,951,786</b>	<b>700,433,283</b>
<b>Deferred Outflows of Resources</b>						
Deferred Refunding Loss	161,251	184,848	-	-	161,251	184,848
Pension	20,376,567	45,555,005	3,624,792	8,174,144	24,001,359	53,729,149
OPEB	4,235,064	757,425	743,248	139,310	4,978,312	896,735
<b>Total Deferred Outflows</b>	<b>24,772,882</b>	<b>46,497,278</b>	<b>4,368,040</b>	<b>8,313,454</b>	<b>29,140,922</b>	<b>54,810,732</b>
<b>Liabilities</b>						
Current and Other Liabilities	10,330,037	8,347,216	22,027,066	13,874,674	32,357,103	22,221,890
Net Pension Liability	81,442,300	116,840,289	14,583,541	20,969,495	96,025,841	137,809,784
Net OPEB Liability	55,306,344	51,179,632	9,968,687	9,252,531	65,275,031	60,432,163
Other Long Term Liabilities	37,657,446	29,037,774	27,660,810	33,243,137	65,318,256	62,280,911
<b>Total Liabilities</b>	<b>184,736,127</b>	<b>205,404,911</b>	<b>74,240,104</b>	<b>77,339,837</b>	<b>258,976,231</b>	<b>282,744,748</b>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows - Revenues	49,312,223	44,074,397	-	-	49,312,223	44,074,397
Pension	19,944,086	1,673,835	3,517,230	228,218	23,461,316	1,902,053
OPEB	4,133,179	-	742,600	-	4,875,779	-
<b>Total Deferred Inflows</b>	<b>73,389,488</b>	<b>45,748,232</b>	<b>4,259,830</b>	<b>228,218</b>	<b>77,649,318</b>	<b>45,976,450</b>
<b>Net Position</b>						
Net Investment in Capital Assets	130,815,834	128,296,883	211,559,474	205,539,644	342,375,308	333,836,527
Restricted	156,677,456	139,332,850	-	-	156,677,456	139,332,850
Unrestricted	(83,276,378)	(75,158,883)	25,690,773	28,512,323	(57,585,605)	(46,646,560)
<b>Total Net Position</b>	<b>\$ 204,216,912</b>	<b>\$ 192,470,850</b>	<b>\$ 237,250,247</b>	<b>\$ 234,051,967</b>	<b>\$ 441,467,159</b>	<b>\$ 426,522,817</b>

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
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Unaudited*

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The net pension liability (NPL) is the largest single liability reported by the County at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." For 2018, the County adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the County's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.



## LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
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The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the County's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the County is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$441,467,159 (\$204,216,912 in governmental activities and \$237,250,247 in business type activities) as of December 31, 2018.

A large portion of the County's net position \$342,375,308 (78 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.

## LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2018  
Unaudited*

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An additional portion of net position, \$156,677,456 (35 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of (\$57,585,605) of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2018, the County is able to report positive balances in two of three categories of net position as a whole, however, unrestricted governmental net position was negative due to the inclusion of the net pension and OPEB liabilities. The County would have reported positive balances in all categories of net position in 2018 and 2017 without the inclusion of these liabilities.

Total assets increased \$48,518,503 which represented a 7 percent increase over 2017. Total assets of governmental activities increased \$40.4 million primarily due to an increase in capital assets of \$14.1 million.

Total assets of business-type activities increased \$8.1 million primarily due to an \$8.6 million increase in capital assets.

Table 2 shows the changes in net position for the year ended December 31, 2018 and 2017.

# LAKE COUNTY, OHIO

## Management's Discussion and Analysis For the Year Ended December 31, 2018 Unaudited

**Table 2 - Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Program Revenues:</b>						
Charges for Services and						
Operating Assessments	\$26,588,728	\$26,438,007	\$42,441,118	\$41,233,013	\$69,029,846	\$67,671,020
Operating Grants, Contributions and Interest	35,497,461	31,817,488	-	-	35,497,461	31,817,488
Capital Grant and Contributions	2,293,410	2,326,538	2,170,895	2,241,286	4,464,305	4,567,824
<b>Total Program Revenues</b>	<b>64,379,599</b>	<b>60,582,033</b>	<b>44,612,013</b>	<b>43,474,299</b>	<b>108,991,612</b>	<b>104,056,332</b>
<b>General Revenues:</b>						
Property Taxes	47,409,130	45,994,243	-	-	47,409,130	45,994,243
Sales Tax	37,132,926	36,764,986	-	-	37,132,926	36,764,986
Conveyance Tax	3,608,007	3,883,454	-	-	3,608,007	3,883,454
Lodging Tax	2,007,934	1,577,762	-	-	2,007,934	1,577,762
Grants and Entitlements not Restricted	24,976,633	26,269,846	-	-	24,976,633	26,269,846
Investment Earnings	4,085,100	1,457,494	-	-	4,085,100	1,457,494
Miscellaneous	10,944,120	7,651,297	184,027	186,000	11,128,147	7,837,297
<b>Total General Revenues</b>	<b>130,163,850</b>	<b>123,599,082</b>	<b>184,027</b>	<b>186,000</b>	<b>130,347,877</b>	<b>123,785,082</b>
<b>Total Revenues</b>	<b>194,543,449</b>	<b>184,181,115</b>	<b>44,796,040</b>	<b>43,660,299</b>	<b>239,339,489</b>	<b>227,841,414</b>
<b>Program Expenses</b>						
General Government	23,009,558	22,839,340	-	-	23,009,558	22,839,340
Judicial and Public Safety	53,555,117	53,610,438	-	-	53,555,117	53,610,438
Public Works	16,284,337	19,561,211	-	-	16,284,337	19,561,211
Human Services	71,657,737	72,990,059	-	-	71,657,737	72,990,059
Health	15,024,311	15,202,700	-	-	15,024,311	15,202,700
Community & Econ. Development	2,517,717	2,499,013	-	-	2,517,717	2,499,013
Interest and Fiscal Charges	848,610	708,287	-	-	848,610	708,287
Water	-	-	16,005,609	14,905,996	16,005,609	14,905,996
Wastewater	-	-	19,251,196	18,885,020	19,251,196	18,885,020
Solid Waste	-	-	6,240,955	4,804,159	6,240,955	4,804,159
<b>Total Program Expenses</b>	<b>182,897,387</b>	<b>187,411,048</b>	<b>41,497,760</b>	<b>38,595,175</b>	<b>224,395,147</b>	<b>226,006,223</b>
Increase (Decrease) in Net Position						
Before Transfers	11,646,062	(3,229,933)	3,298,280	5,065,124	14,944,342	1,835,191
Transfers	100,000	100,000	(100,000)	(100,000)	-	-
<b>Change in Net Position</b>	<b>11,746,062</b>	<b>(3,129,933)</b>	<b>3,198,280</b>	<b>4,965,124</b>	<b>14,944,342</b>	<b>1,835,191</b>
Net Position - January 1 (Restated)	192,470,850	N/A	234,051,967	N/A	426,522,817	N/A
<b>Net Position - December 31</b>	<b>\$204,216,912</b>	<b>\$192,470,850</b>	<b>\$237,250,247</b>	<b>\$234,051,967</b>	<b>\$441,467,159</b>	<b>\$426,522,817</b>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 expenses still include OPEB expense of \$896,735 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by

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deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$5,648,302.

Consequently, in order to compare 2018 total expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$224,395,147
OPEB Expense under GASB 75	<u>(5,648,302)</u>
Adjusted 2018 Program Expenses	218,746,845
Total 2017 Program Expenses under GASB 45	<u>226,006,223</u>
Decrease in Program Expenses not Related to OPEB	<u><u>(\$7,259,378)</u></u>

Total governmental activities expenses decreased from \$187,411,048 in 2017 to \$182,897,387 in 2018. Of the total \$183 million in governmental activities expenses, \$26,588,728 was covered by direct charges to users of the services. A significant portion of those charges are for fees charged for the collection of property taxes throughout the County, fines and forfeitures related to judicial activity, licenses and permits associated with building inspectors, recording fees for deeds and title fees. Judicial and public safety charges for services include fees for prisoner housing and fines and forfeitures related to judicial activity. Human service charges for services include those provided to clients of the DD Board and the Children's Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions increased from \$31,817,488 in 2017 to \$35,497,461 in 2018 due to an increase in grants received. In 2018 property taxes and sales tax both increased versus 2017. Real estate conveyance taxes decreased by \$0.3 million in 2018, which represents a 7 percent decrease, which reflects a slightly declining housing market in the County. The lodging tax increase of \$0.4 million is primarily due to an increase in the tax from 3 percent to 5 percent, as passed by the County Commissioners. Investment earnings increased by \$2.6 million from the prior year while miscellaneous revenue increased by 44 percent, primarily due to an increase in refunds/reimbursements on capital projects. Charges for services to users in the business-type activities amounted to \$42,441,118 and an additional \$2,170,895 was received during the year for grants and contributions for operating and capital expenses. These two revenue sources more than offset the \$41,497,760 in expenses for business-type activities.

The human services program is the largest program and accounted for \$71,657,737 of expenditures for governmental activities, or 39 percent, of that total. The activity of the County's DD Board comprises more than half of the expenditure total for this program. Expenditures in the human services program decreased \$1.3 million in 2018, as compared to 2017. The judicial and public safety program and the general government program account for the largest number of departments within programs and, between these two programs,

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expenditures remained flat increasing only \$114,897 in 2018 as compared to 2017. The decrease in expenditures for all three of these programs is primarily due to the decrease in the net pension liability and related pension expense. The public works program accounts for the maintenance and repairs of County roads and bridges. The majority of the health program is the activity of the ADAMHS Board as well as the operations of the Dog Warden. The community and economic development program primarily accounts for federal and state grants related to housing rehabilitation, business development and other community projects. This program realized an increase in expenses of \$18,704. Interest and fiscal charges on debt amounted to \$0.8 million in 2018, which was consistent with 2017.

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

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$183,047,663. \$16,578,193 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 \$16,595,729 while the total fund balance was \$40,948,915. 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 32 percent of total General Fund expenditures, while total fund balance represents 78 percent of that same amount.

The fund balance of the County's General Fund increased by \$2.2 million during the current fiscal year. Overall General Fund revenues increased in 2018 by \$3.6 million as compared to the previous year. The primary reason for this increase is an increase in interest and miscellaneous revenue. These increases were partially offset by a decrease in fines and forfeitures. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$13.7 million during 2018.

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With respect to the fund balances of the other major governmental funds, the DD Board Fund decreased by \$0.4 million primarily due to transfers out of \$4.5 million. The fund balance of the ADAMHS Board Fund decreased by \$61,271 primarily because of increased expenditures in 2018.

*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 \$5,025,525, which was a 54 percent decrease from 2017, before restatement. This decrease was primarily due to the inclusion of the net OPEB liability of \$4,738,203, which has a corresponding decrease on unrestricted net position. Unrestricted net position for the Wastewater Fund amounted to \$8,523,533 which was a 45 percent decrease as compared to 2017, before restatement, which is also the result of including the net OPEB liability of \$4,922,808. The Solid Waste Fund's unrestricted net position amounted to \$12,141,715, an increase of \$915,984, before restatement, which is due to an increase in operating revenues. The recognition of a long-term liability for the closure and post-closure costs of the County's landfill, as required by the Ohio Environmental Protection Agency, increased by \$0.4 million. Operating revenues for all proprietary funds increased from \$41,383,816 to \$42,625,145, or nearly 3 percent, in 2018 as compared to 2017 while operating expenses also increased by \$2,953,635, or 8 percent. The revenue increase is primarily due to an increase in charges for services revenue within all three funds. The inclusion of the net OPEB liability and related deferred inflows/outflows were a significant factor in the increase of operating expenses.

## **General Fund Budgeting Highlights**

Budgeting is prescribed by the Ohio Revised Code. Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. Final budgeted revenues and other financing sources increased by \$10,878,265 as compared to the original budget for a total increase of 20 percent, primarily due to increases in the estimates for sales tax, conveyance taxes, intergovernmental revenue and investment earnings. Actual revenues and other financing sources received were \$300,475 more than the final certification.

Final budgeted expenditures and other financing uses increased from the original budget. However, actual expenditures and other financing uses were \$2,136,585 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 promote economic development throughout the County.

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## Capital Assets and Debt Administration

### *Capital Assets:*

Table 3 shows 2018 values compared to 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,150,279	\$ 3,150,279	\$ 4,602,592	\$ 4,602,592	\$ 7,752,871	\$ 7,752,871
Construction in Progress	29,543,578	14,515,778	27,045,017	19,368,472	56,588,595	33,884,250
Land Improvements	243,833	206,513	41,487	50,261	285,320	256,774
Building & Other Structures	45,798,420	48,260,275	-	-	45,798,420	48,260,275
Furniture and Equipment	16,350,494	16,925,353	2,169,948	2,386,265	18,520,442	19,311,618
Infrastructure	65,024,952	62,908,143	-	-	65,024,952	62,908,143
Utility Plant in Service	-	-	210,999,930	209,820,626	210,999,930	209,820,626
<b>Total Capital Assets</b>	<b>\$ 160,111,556</b>	<b>\$ 145,966,341</b>	<b>\$ 244,858,974</b>	<b>\$ 236,228,216</b>	<b>\$ 404,970,530</b>	<b>\$ 382,194,557</b>

The County's investment in capital assets for its governmental and business type activities as of December 31, 2018, amount to \$342,375,308 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings and improvements, equipment and machinery, roads, highways, bridges, utility service lines and related operating facilities and the County landfill. Utility Plant in Service in the business-type activities includes all utility buildings and service lines associated with such operations.

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

- Road and bridge infrastructure improvements for the County Engineer's office totaling \$6.1 million.
- Six new school busses for the Developmental Disabilities Board, totaling \$570,786 and additional road vehicles totaling \$129,345.
- Two new dump trucks for the County Engineer's department totaling \$274,407.
- New dispatch console units for the Central Communications department totaling \$168,370.
- Five new patrol cars for the Sheriff's department totaling \$137,348.
- Road vehicles for various departments totaling \$174,634.
- New utility lines and other infrastructure improvements for business-type activities totaling \$9.3 million.

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- Various road vehicles and construction equipment for the Sanitary Engineer's department totaling \$348,084.

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	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 8,405,000	\$ 9,400,000	\$ 2,138,656	\$ 2,288,570	\$ 10,543,656	\$ 11,688,570
Special Assessment Bonds	6,601,344	7,216,430	-	-	6,601,344	7,216,430
OWDA Loans	-	-	17,242,873	19,586,845	17,242,873	19,586,845
Other Long-term Liabilities	481,679	529,465	1,116,249	1,090,156	1,597,928	1,619,621
Capital Leases	407,699	523,562	-	-	407,699	523,562
Notes Payable	13,400,000	-	12,801,722	7,723,001	26,201,722	7,723,001
Unamortized Premium on Debt	487,505	543,735	-	-	487,505	543,735
Landfill Closure & Postclosure	-	-	8,953,144	8,568,760	8,953,144	8,568,760
Compensated Absences	10,586,961	10,824,582	1,684,847	1,708,806	12,271,808	12,533,388
Net Pension Liability	80,739,247	116,840,289	14,447,629	20,969,495	95,186,876	137,809,784
Net OPEB Liability	55,306,344	50,894,060	9,968,687	9,252,531	65,275,031	60,146,591
	<u>\$ 176,415,779</u>	<u>\$ 196,772,123</u>	<u>\$ 68,353,807</u>	<u>\$ 71,188,164</u>	<u>\$ 244,769,586</u>	<u>\$ 267,960,287</u>

Of the debt outstanding at December 31, 2018, 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 0.8 million of expenses for governmental activities.

The County's governmental long-term general obligations decreased by \$20,356,344, or 10 percent, in 2018. The County issued two notes totaling \$13,400,000 in 2018 for an administration building project and additional motor vehicles. The net pension liability decreased over \$36.1 million from the prior year resulting in the large overall decrease.



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The long-term obligations for business-type activities decreased by \$2,834,357, or 4 percent, during 2018. The County issued \$102,972 in Ohio Public Works Commission Loans during 2018 for business-type activities, \$557,419 in Ohio Water Development Authority loans and a \$0.4 million increase was recorded for the landfill closure and post-closure costs. During the year, the County retired \$7.7 million in business-type activities long-term notes and also reissued \$12.8 million in business-type activities notes. The net pension liability decreased over \$6.5 million from the prior year resulting in the overall decrease.

The County maintains an “Aa1” credit rating from Moody’s Investor Services, Inc. The overall debt margin at December 31, 2018 was \$122.4 million with an unvoted total debt margin of \$36.2 million. Additional information on the County’s long-term debt can be found in Note H of this report.

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

As previously stated, the fund balance in the General Fund increased in 2018 as a result of interest and miscellaneous revenue increases. Due to increases in federal and state funding cutbacks in recent years, the Commissioners and the department heads have worked diligently in reducing expenses. The Commissioners are reviewing all “non-statutorily” mandated expenditure functions to determine what can be further reduced and/or eliminated, and they are stringently monitoring all expenses and are curtailing travel and equipment purchases unless absolutely needed.

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

The County supports expansion of local businesses and has begun many initiatives in recent years to further their support by offering low interest loans to businesses through the Community and Economic Development Department and by working closely with regional partners to continue future expansion of local businesses and/or retainage or creation of additional jobs for Lake County.

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Inflationary trends for the County improved in 2018. The unemployment rate for the County at the end of 2018 was 4.5 percent, which was a decrease from the 4.9 percent at the end of 2017. The County's rate compares favorably to the State rate of 4.9 percent at the end of 2018 but is slightly higher than the Federal rate of 4.1 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio who are facing significant financial hardships and budget reductions. The key factor is the County's large retail market and its diversified commercial and industrial economic base. Residential new construction edged up again in 2018. 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.

## **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 Christopher A. Galloway, Lake County Auditor, 105 Main Street, Painesville, Ohio 44077, (440) 350-2532, or email at: [auditor@lakecountyohio.gov](mailto:auditor@lakecountyohio.gov), or visit the County Web Site at: <http://www.lakecountyohio.gov>.

**LAKE COUNTY, OHIO**  
*Statement of Net Position*  
*December 31, 2018*

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 183,393,164	\$ 53,696,500	\$ 237,089,664	\$ 878,105	\$ 1,033,142
Receivables:					
Property Taxes	51,554,820	-	51,554,820	-	-
Sales Tax	6,197,069	-	6,197,069	-	-
Accounts	648,412	6,585,412	7,233,824	75,911	77,807
Unbilled Accounts	-	4,385,393	4,385,393	-	-
Other Assets and Receivables	-	-	-	-	513,350
Special Assessments	13,131,000	-	13,131,000	-	-
Accrued Interest	312,667	-	312,667	-	-
Due from Other Governments	19,863,540	-	19,863,540	-	15,000
Materials and Supplies Inventory	948,150	1,675,544	2,623,694	559	-
Internal Balances	3,960	(3,960)	-	-	-
Loans Receivable	483,276	-	483,276	-	-
Prepaid Items	218,978	48,366	267,344	13,589	10,413
Net Pension Asset	703,053	135,912	838,965	-	11,189
Nondepreciable Capital Assets	32,693,857	31,647,609	64,341,466	-	8,937,084
Depreciable Capital Assets (Net)	127,417,699	213,211,365	340,629,064	3,064	2,101,931
<i>Total Assets</i>	<u>437,569,645</u>	<u>311,382,141</u>	<u>748,951,786</u>	<u>971,228</u>	<u>12,699,916</u>
<b>Deferred Outflows of Resources</b>					
Deferred Charge on Refunding	161,251	-	161,251	-	-
Pension	20,376,567	3,624,792	24,001,359	-	72,716
OPEB	4,235,064	743,248	4,978,312	-	22,639
<i>Total Deferred Outflows of Resources</i>	<u>24,772,882</u>	<u>4,368,040</u>	<u>29,140,922</u>	<u>-</u>	<u>95,355</u>
<b>Liabilities</b>					
Accounts Payable	2,956,107	1,012,214	3,968,321	30,246	63,062
Contracts Payable	-	-	-	-	24,639
Accrued Wages and Benefits	1,783,426	276,183	2,059,609	-	-
Matured Compensated Absences Payable	496,057	-	496,057	-	-
Intergovernmental Payable	1,846,380	1,455,435	3,301,815	1,080	5,428
Accrued Interest Payable	286,671	191,847	478,518	-	345
Unearned Revenue	-	2,371,572	2,371,572	-	9,999
Other Payables	-	-	-	2,758	491,041
Customer Deposits	-	443,134	443,134	-	-
Claims Payable	248,654	-	248,654	-	-
Long Term Liabilities:					
Due Within One Year	2,712,742	16,276,681	18,989,423	-	46,057
Due in More Than One Year:					
Net Pension Liability	81,442,300	14,583,541	96,025,841	-	232,026
Net OPEB Liability	55,306,344	9,968,687	65,275,031	-	281,255
Other Amounts Due in More than One Year	37,657,446	27,660,810	65,318,256	-	126,600
<i>Total Liabilities</i>	<u>184,736,127</u>	<u>74,240,104</u>	<u>258,976,231</u>	<u>34,084</u>	<u>1,280,452</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	49,312,223	-	49,312,223	-	-
Pension	19,944,086	3,517,230	23,461,316	-	85,836
OPEB	4,133,179	742,600	4,875,779	-	20,952
Gain on Sale of Land	-	-	-	-	354,600
<i>Total Deferred Inflows of Resources</i>	<u>73,389,488</u>	<u>4,259,830</u>	<u>77,649,318</u>	<u>-</u>	<u>461,388</u>
<b>Net Position</b>					
Net Investment in Capital Assets	130,815,834	211,559,474	342,375,308	3,064	10,866,358
Restricted for:					
Debt Service	9,398,863	-	9,398,863	-	-
Capital Projects	46,498,779	-	46,498,779	-	21,675
Other Purposes	8,540,522	-	8,540,522	13,705	176
Public Assistance/Human Services	50,246,354	-	50,246,354	-	-
Roads & Bridges	3,208,725	-	3,208,725	-	-
Health Programs	6,299,206	-	6,299,206	-	-
Judicial/Public Safety Grants/Programs	9,563,178	-	9,563,178	-	-
Economic Development	4,881,335	-	4,881,335	-	-
Children's Services Programs	3,182,451	-	3,182,451	-	-
Other Public Works Activity	14,858,043	-	14,858,043	-	-
Unrestricted (Deficit)	(83,276,378)	25,690,773	(57,585,605)	920,375	165,222
<i>Total Net Position</i>	<u>\$ 204,216,912</u>	<u>\$ 237,250,247</u>	<u>\$ 441,467,159</u>	<u>\$ 937,144</u>	<u>\$ 11,053,431</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Activities*  
For the Year Ended December 31, 2018

	Expenses	Program Revenues		
		Charges for Services & Operating Assessments	Operating Grants, Contributions & Interest	Capital Grants & Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 23,009,558	\$ 6,787,899	\$ 43,805	\$ -
Judicial & Public Safety	53,555,117	11,356,662	3,026,234	494,739
Public Works	16,284,337	5,373,724	7,887,814	1,798,671
Human Services	71,657,737	2,367,763	17,942,054	-
Health	15,024,311	702,680	4,958,963	-
Community & Economic Development	2,517,717	-	1,638,591	-
Interest and Fiscal Charges	848,610	-	-	-
<i>Total Governmental Activities</i>	<u>182,897,387</u>	<u>26,588,728</u>	<u>35,497,461</u>	<u>2,293,410</u>
<b>Business-Type Activities</b>				
Water	16,005,609	16,998,052	-	561,259
Wastewater	19,251,196	18,867,069	-	1,609,636
Solid Waste	6,240,955	6,575,997	-	-
<i>Total Business-Type Activities</i>	<u>41,497,760</u>	<u>42,441,118</u>	<u>-</u>	<u>2,170,895</u>
<i>Total - Primary Government</i>	<u>\$ 224,395,147</u>	<u>\$ 69,029,846</u>	<u>\$ 35,497,461</u>	<u>\$ 4,464,305</u>
<b>Component Units</b>				
Workshop	\$ 814,924	\$ 636,190	\$ 169,098	\$ -
Port Authority	2,130,530	499,399	715,335	374,307
<i>Total - Component Units</i>	<u>\$ 2,945,454</u>	<u>\$ 1,135,589</u>	<u>\$ 884,433</u>	<u>\$ 374,307</u>

**General Revenues**

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

*Total General Revenues*

Net Transfers

*Change in Net Position*

*Net Position Beginning  
of Year - Restated (See Note C)*

*Net Position End of Year*

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
\$ (16,177,854)	\$ -	\$ (16,177,854)	\$ -	\$ -
(38,677,482)	-	(38,677,482)	-	-
(1,224,128)	-	(1,224,128)	-	-
(51,347,920)	-	(51,347,920)	-	-
(9,362,668)	-	(9,362,668)	-	-
(879,126)	-	(879,126)	-	-
(848,610)	-	(848,610)	-	-
(118,517,788)	-	(118,517,788)	-	-
-	1,553,702	1,553,702	-	-
-	1,225,509	1,225,509	-	-
-	335,042	335,042	-	-
-	3,114,253	3,114,253	-	-
\$ (118,517,788)	\$ 3,114,253	\$ (115,403,535)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (9,636)	\$ -
-	-	-	-	(541,489)
\$ -	\$ -	\$ -	\$ (9,636)	\$ (541,489)
5,164,423	-	5,164,423	-	-
24,071,277	-	24,071,277	-	-
8,183,585	-	8,183,585	-	-
3,203,775	-	3,203,775	-	-
1,094,619	-	1,094,619	-	-
1,427,307	-	1,427,307	-	-
4,264,144	-	4,264,144	-	-
37,132,926	-	37,132,926	-	-
3,608,007	-	3,608,007	-	-
2,007,934	-	2,007,934	-	-
24,976,633	-	24,976,633	-	-
4,085,100	-	4,085,100	23,242	9,385
10,944,120	184,027	11,128,147	-	273,531
130,163,850	184,027	130,347,877	23,242	282,916
100,000	(100,000)	-	-	-
11,746,062	3,198,280	14,944,342	13,606	(258,573)
192,470,850	234,051,967	426,522,817	923,538	11,312,004
\$ 204,216,912	\$ 237,250,247	\$ 441,467,159	\$ 937,144	\$ 11,053,431

**LAKE COUNTY, OHIO**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2018*

	General	Developmental Disabilities Board	ADAMHS Board	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 34,147,638	\$ 42,333,041	\$ 3,565,252	\$ 87,560,239	\$ 167,606,170
Receivables:					
Property Taxes	5,510,456	23,707,740	8,066,099	14,270,525	51,554,820
Sales Tax	6,197,069	-	-	-	6,197,069
Accounts	311,211	50,882	-	285,136	647,229
Special Assessments	-	-	-	13,131,000	13,131,000
Accrued Interest	312,667	-	-	-	312,667
Due from Other Funds	24,811	-	-	160,462	185,273
Due from Other Governments	1,212,638	838,264	2,720,877	15,076,245	19,848,024
Materials and Supplies Inventory	-	-	-	898,266	898,266
Interfund Receivable	669,765	-	-	-	669,765
Loans Receivable	-	-	-	483,276	483,276
Prepaid Items	151,982	32,289	8,678	25,923	218,872
<i>Total Assets</i>	<u>\$ 48,538,237</u>	<u>\$ 66,962,216</u>	<u>\$ 14,360,906</u>	<u>\$ 131,891,072</u>	<u>\$ 261,752,431</u>
<b>Liabilities</b>					
Accounts Payable	\$ 550,725	\$ 289,198	\$ 130,183	\$ 1,949,938	\$ 2,920,044
Accrued Wages & Benefits	686,999	523,115	17,519	549,474	1,777,107
Matured Compensated Absences Payable	173,700	265,383	-	56,974	496,057
Due to Other Funds	36,137	-	114	181,297	217,548
Intergovernmental Payable	619,120	170,930	17,678	1,033,061	1,840,789
Interfund Payable	-	-	-	669,765	669,765
<i>Total Liabilities</i>	<u>2,066,681</u>	<u>1,248,626</u>	<u>165,494</u>	<u>4,440,509</u>	<u>7,921,310</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Property Taxes	215,737	1,056,712	344,912	625,236	2,242,597
Unavailable Revenue - Special Assessments	-	-	-	7,046,341	7,046,341
Unavailable Revenue - Intergovernmental	12,185	-	1,057,232	11,112,880	12,182,297
Deferred Inflows - Property Taxes	5,294,719	22,651,028	7,721,187	13,645,289	49,312,223
<i>Total Deferred Inflows of Resources</i>	<u>5,522,641</u>	<u>23,707,740</u>	<u>9,123,331</u>	<u>32,429,746</u>	<u>70,783,458</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventory	-	-	-	898,266	898,266
Prepaid Assets	151,982	32,289	8,678	25,923	218,872
Unclaimed Funds	779,464	-	-	-	779,464
Restricted for:					
Other Purposes	-	-	-	5,344,508	5,344,508
Debt Service	-	-	-	2,352,522	2,352,522
Capital Projects	-	-	-	46,498,779	46,498,779
Public Assistance/Human Services	-	41,973,561	-	3,086,117	45,059,678
Roads & Bridges	-	-	-	2,695,164	2,695,164
Health Programs	-	-	5,063,403	-	5,063,403
Judicial/Public Safety/Grant Programs	-	-	-	9,554,478	9,554,478
Economic Development	-	-	-	4,954,397	4,954,397
Children's Services	-	-	-	1,500,998	1,500,998
General Government Operations	-	-	-	3,093,689	3,093,689
Public Works	-	-	-	15,033,512	15,033,512
Committed for:					
Central Communications	3,149,145	-	-	-	3,149,145
Budget Stabilization	9,042,400	-	-	-	9,042,400
Employee Payroll	10,450,000	-	-	-	10,450,000
Assigned for:					
Encumbrances	295,159	-	-	-	295,159
Claimants	485,036	-	-	-	485,036
Unassigned (Deficit)	16,595,729	-	-	(17,536)	16,578,193
<i>Total Fund Balances</i>	<u>40,948,915</u>	<u>42,005,850</u>	<u>5,072,081</u>	<u>95,020,817</u>	<u>183,047,663</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 48,538,237</u>	<u>\$ 66,962,216</u>	<u>\$ 14,360,906</u>	<u>\$ 131,891,072</u>	<u>\$ 261,752,431</u>

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, 2018*

<b>Total Governmental Fund Balances</b>		\$ 183,047,663
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		160,099,531
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property & Other Local Taxes	2,242,597	
Special Assessments	7,046,341	
Intergovernmental	12,182,297	
Total		21,471,235
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(286,671)
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		161,251
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions and OPEB:		
Pension	20,264,691	
OPEB	4,212,124	
Total		24,476,815
Deferred inflows of resources related to pension and OPEB:		
Pension	(19,835,530)	
OPEB	(4,110,259)	
Total		(23,945,789)
Internal service funds are used by management to charge the costs of insurance and other expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Subtotal prior to full accrual adjustments	15,593,291	
Capital Assets	12,025	
Compensated Absences	(21,037)	
Net Pension Liability (Asset)	(445,914)	
Net OPEB Liability	(307,676)	
Deferred outflows of resources - Pension	111,876	
Deferred outflows of resources - OPEB	22,940	
Deferred inflows of resources - Pension	(108,556)	
Deferred inflows of resources - OPEB	(22,920)	
Total		14,834,029
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	(8,405,000)	
Special Assessment Bonds	(6,601,344)	
Long-Term Notes Payable	(13,400,000)	
Other Long-Term Liabilities	(481,679)	
Unamortized Premium on Bonds	(487,505)	
Capital Leases	(407,699)	
Compensated Absences	(10,565,924)	
Net Pension Liability	(80,293,333)	
Net OPEB Liability	(54,998,668)	
Total		(175,641,152)
Net Position of Governmental Activities		\$ 204,216,912

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, 2018*

	General	Developmental Disabilities Board	ADAMHS Board	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 5,206,537	\$ 24,277,345	\$ 8,251,186	\$ 9,906,047	\$ 47,641,115
Sales Tax	37,132,926	-	-	-	37,132,926
Conveyance & Other Local Taxes	3,608,007	-	-	2,007,934	5,615,941
Fees & Charges for Services	7,437,819	-	-	10,952,070	18,389,889
Licenses & Permits	806,086	-	-	1,151,789	1,957,875
Fines & Forfeitures	168,320	-	-	1,369,026	1,537,346
Intergovernmental	6,497,066	16,523,790	6,256,856	30,840,086	60,117,798
Special Assessments	-	-	-	6,075,204	6,075,204
Interest	4,056,534	-	-	28,566	4,085,100
Contributions & Donations	-	34,498	-	34,255	68,753
Miscellaneous	3,381,659	1,593,113	572,496	5,271,109	10,818,377
<i>Total Revenues</i>	<u>68,294,954</u>	<u>42,428,746</u>	<u>15,080,538</u>	<u>67,636,086</u>	<u>193,440,324</u>
<b>Expenditures</b>					
Current:					
General Government	15,232,855	-	-	6,221,481	21,454,336
Judicial & Public Safety	35,968,306	-	-	11,359,035	47,327,341
Public Works	210,343	-	-	14,483,314	14,693,657
Human Services	1,119,492	38,347,834	-	28,072,713	67,540,039
Health	33,846	-	14,354,927	553,056	14,941,829
Community & Economic Development	-	-	-	2,562,630	2,562,630
Capital Outlay	-	24,993	786,882	17,146,491	17,958,366
Debt Service:					
Principal Retirement	-	-	-	1,785,632	1,785,632
Interest and Fiscal Charges	-	-	-	646,667	646,667
<i>Total Expenditures</i>	<u>52,564,842</u>	<u>38,372,827</u>	<u>15,141,809</u>	<u>82,831,019</u>	<u>188,910,497</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>15,730,112</u>	<u>4,055,919</u>	<u>(61,271)</u>	<u>(15,194,933)</u>	<u>4,529,827</u>
<b>Other Financing Sources (Uses)</b>					
Note Issuance	-	-	-	13,400,000	13,400,000
Proceeds from OPWC Loan	-	-	-	11,896	11,896
Proceeds from Sale of Capital Assets	133,534	-	-	29,711	163,245
Transfers In	-	-	-	23,457,814	23,457,814
Transfers Out	(13,674,696)	(4,501,198)	-	(5,181,920)	(23,357,814)
<i>Total Financing Sources (Uses)</i>	<u>(13,541,162)</u>	<u>(4,501,198)</u>	<u>-</u>	<u>31,717,501</u>	<u>13,675,141</u>
<i>Net Change in Fund Balance</i>	2,188,950	(445,279)	(61,271)	16,522,568	18,204,968
<i>Fund Balance Beginning of Year</i>	<u>38,759,965</u>	<u>42,451,129</u>	<u>5,133,352</u>	<u>78,498,249</u>	<u>164,842,695</u>
<i>Fund Balance End of Year</i>	<u>\$ 40,948,915</u>	<u>\$ 42,005,850</u>	<u>\$ 5,072,081</u>	<u>\$ 95,020,817</u>	<u>\$ 183,047,663</u>

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



**LAKE COUNTY, OHIO**  
*Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2018*

Net Change in Fund Balances - Total Governmental Funds	\$	18,204,968
<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	23,598,419	
Current Year Depreciation	<u>(9,187,205)</u>	
Total		14,411,214
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.		
		(262,992)
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	(231,985)	
Special Assessments	(910,610)	
Intergovernmental	<u>2,086,214</u>	
Total		943,619
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	995,000	
S.A. Bonds	615,086	
OPWC Loans	59,683	
Capital Leases	<u>115,863</u>	
Total		1,785,632
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports the impact as deferred outflows.		
Pension		10,012,408
Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(17,319,423)	
OPEB	<u>(4,755,868)</u>	
Total		(22,075,291)
Internal service funds used by management to charge the costs of insurance and other expenses to individual funds are not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.		
Subtotal prior to full accrual adjustments	2,091,479	
Deferred outflows of resources - Pension	55,991	
Deferred inflows of resources - Pension	(15,358)	
Deferred inflows of resources - OPEB	(26,383)	
Current Year Depreciation	(3,007)	
Compensated Absences	<u>20,607</u>	
Total		2,123,329
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		217,014
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>56,229</u>	
Total		32,632
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(234,575)
Other financing sources in the governmental funds increase the long-term liabilities in the statement of net position.		
Notes Issued	(13,400,000)	
OPWC Loan Issued	<u>(11,896)</u>	
Total		(13,411,896)
Change in Net Position of Governmental Activities	\$	<u><u>11,746,062</u></u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Year Ended December 31, 2018*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$ 4,950,000	\$ 5,200,000	\$ 5,206,537	\$ 6,537
Sales Tax	33,000,000	36,800,000	36,857,056	57,056
Conveyance & Other Local Taxes	2,851,000	3,551,750	3,608,007	56,257
Fees & Charges for Services	4,533,234	5,254,984	5,266,941	11,957
Licenses & Permits	588,500	817,000	813,492	(3,508)
Fines & Forfeitures	153,500	161,000	168,045	7,045
Intergovernmental	5,028,000	6,301,940	6,498,489	196,549
Interest	1,700,000	4,300,000	4,379,479	79,479
Miscellaneous	2,187,314	3,320,639	3,198,575	(122,064)
<i>Total Revenues</i>	<u>54,991,548</u>	<u>65,707,313</u>	<u>65,996,621</u>	<u>289,308</u>
<b>Expenditures</b>				
Current:				
General Government	15,366,407	13,604,951	14,346,977	(742,026)
Judicial & Public Safety	35,517,844	37,219,660	36,348,782	870,878
Public Works	214,110	214,110	200,990	13,120
Human Services	1,340,668	1,340,668	1,117,039	223,629
Health	26,962	41,548	36,911	4,637
<i>Total Expenditures</i>	<u>52,465,991</u>	<u>52,420,937</u>	<u>52,050,699</u>	<u>370,238</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,525,557</u>	<u>13,286,376</u>	<u>13,945,922</u>	<u>659,546</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	5,000	125,000	133,534	8,534
Advances In	1,000	43,500	46,133	2,633
Advances Out	-	(680,000)	(680,000)	-
Transfers Out	(2,616,043)	(15,441,043)	(13,674,696)	1,766,347
<i>Total Other Financing Sources (Uses)</i>	<u>(2,610,043)</u>	<u>(15,952,543)</u>	<u>(14,175,029)</u>	<u>1,777,514</u>
<i>Net Change in Fund Balance</i>	(84,486)	(2,666,167)	(229,107)	2,437,060
<i>Fund Balance Beginning of Year</i>	29,730,881	29,730,881	29,730,881	-
Prior Year Encumbrances Appropriated	524,271	524,271	524,271	-
<i>Fund Balance End of Year</i>	<u>\$ 30,170,666</u>	<u>\$ 27,588,985</u>	<u>\$ 30,026,045</u>	<u>\$ 2,437,060</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 Developmental Disabilities Board Fund  
 For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 24,317,500	\$ 24,317,500	\$ 24,276,806	\$ (40,694)
Intergovernmental	15,691,643	16,572,059	16,689,006	116,947
Contributions & Donations	3,050	5,000	34,498	29,498
Miscellaneous	1,233,801	1,606,120	1,570,370	(35,750)
<i>Total Revenues</i>	<u>41,245,994</u>	<u>42,500,679</u>	<u>42,570,680</u>	<u>70,001</u>
<b>Expenditures</b>				
Current:				
Human Services	40,695,104	45,414,372	42,670,714	2,743,658
Capital Outlay	81,171	81,171	24,765	56,406
<i>Total Expenditures</i>	<u>40,776,275</u>	<u>45,495,543</u>	<u>42,695,479</u>	<u>2,800,064</u>
<i>Net Change in Fund Balance</i>	469,719	(2,994,864)	(124,799)	2,870,065
<i>Fund Balance Beginning of Year</i>	42,423,384	42,423,384	42,423,384	-
Prior Year Encumbrances Appropriated	1,379	1,379	1,379	-
<i>Fund Balance End of Year</i>	<u>\$ 42,894,482</u>	<u>\$ 39,429,899</u>	<u>\$ 42,299,964</u>	<u>\$ 2,870,065</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
*Board of Alcohol, Drug Addiction & Mental Health Services Fund (ADAMHS Board)*  
*For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 8,275,000	\$ 8,275,000	\$ 8,251,010	\$ (23,990)
Intergovernmental	4,942,642	5,486,642	5,732,982	246,340
Miscellaneous	200,000	200,000	572,496	372,496
<i>Total Revenues</i>	<u>13,417,642</u>	<u>13,961,642</u>	<u>14,556,488</u>	<u>594,846</u>
<b>Expenditures</b>				
Current:				
Health	13,358,962	15,678,704	15,197,964	480,740
Capital Outlay	58,500	58,849	4,399	54,450
<i>Total Expenditures</i>	<u>13,417,462</u>	<u>15,737,553</u>	<u>15,202,363</u>	<u>535,190</u>
<i>Net Change in Fund Balance</i>	180	(1,775,911)	(645,875)	1,130,036
<i>Fund Balance Beginning of Year</i>	3,788,189	3,788,189	3,788,189	-
Prior Year Encumbrances Appropriated	325,897	325,897	325,897	-
<i>Fund Balance End of Year</i>	<u>\$ 4,114,266</u>	<u>\$ 2,338,175</u>	<u>\$ 3,468,211</u>	<u>\$ 1,130,036</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2018*

	Business-Type Activities - Enterprise				Governmental
	Water	Waste Water	Solid Waste	Total	Activities Internal Service Funds
<b>Assets</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 14,241,459	\$ 18,101,237	\$ 21,353,804	\$ 53,696,500	\$ 15,786,994
<i>Net Receivables:</i>					
Accounts	2,962,182	2,634,408	988,822	6,585,412	1,183
Unbilled Accounts	1,823,731	2,561,662	-	4,385,393	-
Due from Other Funds	-	-	-	-	36,325
Due from Other Governments	-	-	-	-	15,516
Prepaid Items	21,399	23,237	3,730	48,366	106
Materials and Supplies Inventory	1,247,880	425,643	2,021	1,675,544	49,884
<b>Total Current Assets</b>	<b>20,296,651</b>	<b>23,746,187</b>	<b>22,348,377</b>	<b>66,391,215</b>	<b>15,890,008</b>
<i>Noncurrent Assets:</i>					
Land	1,303,593	1,500,174	1,798,825	4,602,592	-
Land Improvements	88,142	36,365	259,316	383,823	-
Utility Plant in Service	173,243,687	263,184,606	22,631,432	459,059,725	-
Furniture, Fixtures & Equipment	4,802,583	4,927,428	1,099,471	10,829,482	33,036
Less: Accumulated Depreciation	(99,260,402)	(143,876,858)	(13,924,405)	(257,061,665)	(21,011)
Construction in Progress	14,110,251	12,866,070	68,696	27,045,017	-
Net Pension Asset	64,600	67,117	4,195	135,912	4,195
<b>Total Noncurrent Assets</b>	<b>94,352,454</b>	<b>138,704,902</b>	<b>11,937,530</b>	<b>244,994,886</b>	<b>16,220</b>
<b>Total Assets</b>	<b>114,649,105</b>	<b>162,451,089</b>	<b>34,285,907</b>	<b>311,386,101</b>	<b>15,906,228</b>
<b>Deferred Outflows of Resources</b>					
Pension - OPERS	1,722,895	1,790,021	111,876	3,624,792	111,876
Other Postemployment Benefits - OPERS	353,272	367,036	22,940	743,248	22,940
<b>Total Deferred Outflows of Resources</b>	<b>2,076,167</b>	<b>2,157,057</b>	<b>134,816</b>	<b>4,368,040</b>	<b>134,816</b>
<b>Liabilities:</b>					
<i>Current Liabilities:</i>					
Accounts Payable	197,749	562,893	251,572	1,012,214	36,063
Accrued Wages & Benefits	126,939	138,914	10,330	276,183	6,319
Accrued Interest Payable	100,497	91,350	-	191,847	-
Unearned Revenue	1,051,152	1,320,420	-	2,371,572	-
Due to Other Funds	2,825	983	152	3,960	90
Due to Other Governments	1,192,055	136,923	126,457	1,455,435	5,591
Claims Payable	-	-	-	-	248,654
Customer Deposits	206,905	236,229	-	443,134	-
Compensated Absences Payable - Current	102,497	73,505	9,754	185,756	1,788
Notes Payable - Current	5,795,919	7,005,803	-	12,801,722	-
OWDA Loans Payable - Current	33,648	3,015,685	-	3,049,333	-
General Obligation Bonds Payable - Current	-	157,808	-	157,808	-
Other Long-Term Debt Payable - Current	26,931	55,131	-	82,062	-
<b>Total Current Liabilities</b>	<b>8,837,117</b>	<b>12,795,644</b>	<b>398,265</b>	<b>22,031,026</b>	<b>298,505</b>
<i>Long-Term Liabilities (net of current portion)</i>					
Compensated Absences Payable	736,654	657,434	105,003	1,499,091	19,249
OWDA Loans Payable	523,771	13,669,769	-	14,193,540	-
General Obligation Bonds Payable	-	1,980,848	-	1,980,848	-
Other Long-Term Debt Payable	454,145	580,042	-	1,034,187	-
Net Pension Liability - OPERS	6,931,683	7,201,749	450,109	14,583,541	450,109
Net OPEB Liability - OPERS	4,738,203	4,922,808	307,676	9,968,687	307,676
Landfill Closure & Post-Closure Costs	-	-	8,953,144	8,953,144	-
<b>Total Long-Term Liabilities</b>	<b>13,384,456</b>	<b>29,012,650</b>	<b>9,815,932</b>	<b>52,213,038</b>	<b>777,034</b>
<b>Total Liabilities</b>	<b>22,221,573</b>	<b>41,808,294</b>	<b>10,214,197</b>	<b>74,244,064</b>	<b>1,075,539</b>
<b>Deferred Inflows of Resources</b>					
Pension - OPERS	1,671,770	1,736,904	108,556	3,517,230	108,556
Other Postemployment Benefits - OPERS	352,964	366,716	22,920	742,600	22,920
<b>Total Deferred Inflows of Resources</b>	<b>2,024,734</b>	<b>2,103,620</b>	<b>131,476</b>	<b>4,259,830</b>	<b>131,476</b>
<b>Net Position</b>					
Net Investment in Capital Assets	87,453,440	112,172,699	11,933,335	211,559,474	12,025
Unrestricted	5,025,525	8,523,533	12,141,715	25,690,773	14,822,004
<b>Total Net Position</b>	<b>\$ 92,478,965</b>	<b>\$ 120,696,232</b>	<b>\$ 24,075,050</b>	<b>\$ 237,250,247</b>	<b>\$ 14,834,029</b>

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, 2018*

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Operating Revenues</b>					
Water Sales	\$ 16,560,697	\$ -	\$ -	\$ 16,560,697	\$ -
Sewer Charges	-	17,288,348	-	17,288,348	-
Fees, Permits & Tap-Ins	76,904	197,426	-	274,330	-
Charges for Services	360,451	1,381,295	6,575,997	8,317,743	21,784,787
Other Operating Revenues	108,824	14,319	60,884	184,027	159,506
<i>Total Operating Revenues</i>	<u>17,106,876</u>	<u>18,881,388</u>	<u>6,636,881</u>	<u>42,625,145</u>	<u>21,944,293</u>
<b>Operating Expenses</b>					
Personal Services	8,211,134	8,505,433	640,957	17,357,524	339,119
Contractual Services	1,423,943	1,315,914	4,472,091	7,211,948	210,847
Materials & Supplies	1,585,738	1,381,765	56,012	3,023,515	691,605
Other Operating Expenses	1,740,483	2,474,099	193,142	4,407,724	1,784,388
Depreciation Expense	2,983,179	4,969,415	878,753	8,831,347	3,007
Insurance Claims	-	-	-	-	16,791,998
<i>Total Operating Expenses</i>	<u>15,944,477</u>	<u>18,646,626</u>	<u>6,240,955</u>	<u>40,832,058</u>	<u>19,820,964</u>
<i>Operating Income (Loss)</i>	1,162,399	234,762	395,926	1,793,087	2,123,329
<b>Non-Operating Revenues (Expenses)</b>					
Interest and Fiscal Charges	(61,132)	(604,570)	-	(665,702)	-
<i>Income (Loss) Before Contributions &amp; Transfers</i>	1,101,267	(369,808)	395,926	1,127,385	2,123,329
Grants & Contributed Capital	561,259	1,609,636	-	2,170,895	-
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Change in Net Position</i>	1,562,526	1,239,828	395,926	3,198,280	2,123,329
<i>Net Position Beginning of Year - Restated (See Note C)</i>	<u>90,916,439</u>	<u>119,456,404</u>	<u>23,679,124</u>	<u>234,051,967</u>	<u>12,710,700</u>
<i>Net Position End of Year</i>	<u>\$ 92,478,965</u>	<u>\$ 120,696,232</u>	<u>\$ 24,075,050</u>	<u>\$ 237,250,247</u>	<u>\$ 14,834,029</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Cash Flows From Operating Activities:</b>					
Cash Received from Customers	\$ 16,824,798	\$ 18,828,898	\$ 6,465,481	\$ 42,119,177	\$ 21,958,139
Other Operating Revenues	108,824	14,319	60,884	184,027	146,478
Cash Paid to Suppliers	(1,629,765)	(1,361,105)	(58,122)	(3,048,992)	(691,505)
Cash Paid to Employees	(7,288,589)	(7,443,757)	(570,758)	(15,303,104)	(293,744)
Cash Paid for Contractual Services	(1,935,370)	(1,928,327)	(4,054,695)	(7,918,392)	(211,051)
Cash Paid for Other Operating Expenses	(1,670,210)	(2,324,579)	(178,047)	(4,172,836)	(1,779,711)
Cash Paid for Claims	-	-	-	-	(16,696,168)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>4,409,688</u>	<u>5,785,449</u>	<u>1,664,743</u>	<u>11,859,880</u>	<u>2,432,438</u>
<b>Cash Flows From Non-Capital Financing Activities</b>					
Transfers Out	(100,000)	-	-	(100,000)	-
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds of OPWC Loans	37,216	65,756	-	102,972	-
Proceeds of OWDA Loans	557,419	-	-	557,419	-
Proceeds of Notes	5,792,000	7,000,000	-	12,792,000	-
Premium on Note Issuance	7,838	11,607	-	19,445	-
Cash Received from Capital Grants	117,496	822,520	-	940,016	-
Cash Received from Disposal of Capital Assets	1,133	4,925	-	6,058	-
Payment for Capital Acquisitions	(8,170,563)	(7,383,432)	(77,423)	(15,631,418)	-
Principal Paid on Debt	(3,733,071)	(7,103,113)	-	(10,836,184)	-
Interest Paid on Debt	(56,865)	(704,043)	-	(760,908)	-
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	<u>(5,447,397)</u>	<u>(7,285,780)</u>	<u>(77,423)</u>	<u>(12,810,600)</u>	<u>-</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(1,137,709)	(1,500,331)	1,587,320	(1,050,720)	2,432,438
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>15,379,168</u>	<u>19,601,568</u>	<u>19,766,484</u>	<u>54,747,220</u>	<u>13,354,556</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 14,241,459</u>	<u>\$ 18,101,237</u>	<u>\$ 21,353,804</u>	<u>\$ 53,696,500</u>	<u>\$ 15,786,994</u>

(Continued)

**LAKE COUNTY, OHIO**  
*Statement of Cash Flows*  
*Proprietary Funds (Continued)*  
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>					
Operating Income (Loss)	\$ 1,162,399	\$ 234,762	\$ 395,926	\$ 1,793,087	\$ 2,123,329
Adjustments:					
Depreciation	2,983,179	4,969,415	878,753	8,831,347	3,007
(Increase) Decrease in Assets & Deferred Outflows:					
Accounts Receivable	(357,341)	(3,711)	(110,516)	(471,568)	36,700
Unbilled Accounts Receivable	208,112	(23,985)	-	184,127	-
Inventory	(13,858)	13,628	294	64	5,722
Due from Other Funds	-	-	-	-	33,102
Due from Other Governments	-	-	-	-	90,522
Prepaid Items	753	844	(245)	1,352	6
Net Pension Asset	(39,416)	(40,952)	(2,560)	(82,928)	(2,560)
Deferred Outflows - Pension	2,162,346	2,246,594	140,412	4,549,352	140,412
Deferred Outflows - OPEB	(287,057)	(298,241)	(18,640)	(603,938)	(18,640)
Increase (Decrease) in Liabilities & Deferred Inflows:					
Accounts Payable	(559,527)	(448,666)	(8,908)	(1,017,101)	(5,766)
Accrued Wages	21,336	29,321	1,985	52,642	1,643
Due to Other Funds	(5,151)	(246)	(2,944)	(8,341)	(25)
Due to Other Governments	24,345	(80,032)	52,717	(2,970)	1,959
Compensated Absences Payable	(62,579)	32,339	6,281	(23,959)	(20,607)
Customer Deposits	(24,025)	(10,475)	-	(34,500)	-
Landfill Closure & Post-Closure Costs	-	-	384,384	384,384	-
Claims Payable	-	-	-	-	95,830
Net Pension Liability	(3,060,483)	(3,179,722)	(198,733)	(6,438,938)	(198,733)
Net OPEB Liability	340,395	353,657	22,104	716,156	22,104
Deferred Inflows - Pension	1,563,296	1,624,203	101,513	3,289,012	101,513
Deferred Inflows - OPEB	352,964	366,716	22,920	742,600	22,920
<i>Total Adjustments</i>	<u>3,247,289</u>	<u>5,550,687</u>	<u>1,268,817</u>	<u>10,066,793</u>	<u>309,109</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 4,409,688</u>	<u>\$ 5,785,449</u>	<u>\$ 1,664,743</u>	<u>\$ 11,859,880</u>	<u>\$ 2,432,438</u>

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



**LAKE COUNTY, OHIO**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2018*

	Agency
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 33,820,661
Cash and Cash Equivalents - Non-Pooled Cash	5,848,280
Receivables:	
Taxes	341,315,883
Special Assessments	9,560,181
Due from Other Governments	1,661,525
<i>Total Assets</i>	\$ 392,206,530
 <b>Liabilities:</b>	
Due to Other Governments	\$ 374,855,856
Other Liabilities	17,350,674
<i>Total Liabilities</i>	\$ 392,206,530

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, 2018**

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**NOTE A – DESCRIPTION OF LAKE COUNTY**

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

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

**REPORTING ENTITY**

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

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

**Discretely Presented Component Units**

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

REPORTING ENTITY (Continued)

Discretely Presented Component Units (Continued)

DEEPWOOD INDUSTRIES, INC. (the Workshop)

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

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

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**REPORTING ENTITY (Continued)**

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

**Related Organizations**

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

**LAKE METROPARKS**

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

**LAKELAND COMMUNITY COLLEGE**

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

**LAKETRAN**

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

REPORTING ENTITY (Continued)

LAKE COUNTY LIBRARY DISTRICT

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

LAKE HEALTH

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

Jointly Governed Organizations

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

NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM FACILITY (NEOCAP)

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

NORTHEAST OHIO NETWORK (NEON)

NEON is a council of governments formed to provide a regional effort in administering, managing, and operating programs for certain individuals with developmental disabilities. Participating counties include Geauga, Ashland, Ashtabula, Cuyahoga, Columbiana, Lorain, Lake, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull and Wayne Counties. NEON's operation is controlled by their Board, which is comprised of the superintendents of the Board of Developmental Disabilities of each participating county. NEON adopts its own budget, authorizes expenditures and hires and fires its own staff. During 2018, 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, 2018**

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

Jointly Governed Organizations (Continued)

*NORTHEAST OHIO AREAWIDE COORDINATING AGENCY (NOACA)*

Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 37 members including the three County Commissioners. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. In 2018, 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, 2018**

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

BASIS OF PRESENTATION (Continued)

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

Fund Financial Statements

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

FUND ACCOUNTING

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

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

Governmental Funds

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

FUND ACCOUNTING (Continued)

Governmental Funds (Continued):

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

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

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

The other governmental funds of the County account for grants, special assessments 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, 2018**

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

FUND ACCOUNTING (Continued)

Proprietary Funds (Continued)

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

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

Fiduciary Funds:

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

MEASUREMENT FOCUS

Government-wide Financial Statements:

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

MEASUREMENT FOCUS (Continued)

Fund Financial Statements

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

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

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

BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Revenues - Exchange and Non-exchange Transactions (Continued)

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, unavailable revenue, pension and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations.

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes delinquent property taxes, special assessments, intergovernmental grants, 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 2018.

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**BUDGETARY PROCESS (Continued)**

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

**Tax Budget**

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

**Estimated Resources**

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2018.

**Appropriations**

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

BUDGETARY PROCESS (Continued)

Budgeted Level of Expenditures

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

Lapsing of Appropriations

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

Encumbrances

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

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

POOLED CASH AND CASH EQUIVALENTS

The County Treasurer invests all active County funds. Active County funds are invested in federal agency obligations, commercial paper and municipal bonds. Inactive funds are invested in certificates of deposit and the State Treasurer’s Investment Pool. The County pools its cash for investment purposes to capture the highest return. Investment income is distributed to various funds based upon their average daily cash balances. Investments are reported at fair value, which is based on quoted market prices. Interest income earned in the General Fund in 2018 totaled \$4,056,534, which includes \$3,647,635 assigned from funds other than the General Fund. For purposes of reporting cash flows, cash and cash equivalents include all cash items, investments and deposits which can readily be converted into cash. Certificates of deposit are included regardless of initial maturity as they meet the criteria for ready conversion.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business days(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

**INVENTORY OF SUPPLIES**

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

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

**INTERFUND RECEIVABLES**

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

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2018 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, 2018**

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

**INTERFUND BALANCES**

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

**CAPITAL ASSETS**

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

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

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

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



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**CAPITALIZATION OF INTEREST**

The County's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalization interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated life of the asset. Total interest capitalized in 2018 and included in construction-in-progress for the Enterprise Funds was \$272,345.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

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

**COMPENSATED ABSENCES**

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

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**FUND BALANCE**

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

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

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

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

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**NET POSITION**

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

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

**OPERATING REVENUES AND EXPENSES**

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

**INTERFUND TRANSACTIONS**

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**BOND PREMIUM**

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

**PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

**ESTIMATES**

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

**NOTE C – CHANGE IN ACCOUNTING PRINCIPLES & RESTATEMENT OF PRIOR YEAR NET POSITION**

**CHANGE IN ACCOUNTING PRINCIPLES**

For 2018, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, Statement No. 81, “Irrevocable Split-Interest Agreements”, Statement No. 85, “Omnibus 2017”, and GASB Statement No. 86, “Certain Debt Extinguishment Issues”.

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The implementation of GASB Statement 75 resulted in an overall restatement of beginning net position, as previously reported (see below).

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

GASB Statement No. 81 aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the County.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the County.

GASB Statement No. 86 aims to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the County.

**RESTATEMENT OF PRIOR YEAR NET POSITION**

	Primary Government			Port Authority
	Governmental Activities	Business Activities	Total	
Net Position at December 31, 2017, as Previously Reported	\$242,893,057	\$243,165,188	\$486,058,245	\$11,566,654
<i>Adjustments:</i>				
Net Other Postemployment Benefit (OPEB) Liability - OPERS	(51,124,268)	(9,252,531)	(60,376,799)	(256,604)
Net Other Postemployment Benefit (OPEB) Liability - STRS	(55,364)	0	(55,364)	0
Payments Subsequent to Measurement Date - OPERS	757,425	139,310	896,735	1,954
Restated Net Position at December 31, 2017	<u>\$192,470,850</u>	<u>\$234,051,967</u>	<u>\$426,522,817</u>	<u>\$11,312,004</u>

***Restatement of Prior Year Fund Net Position***

A fund net position restatement is required in order to implement GASB Statement No. 75. The proprietary funds at January 1, 2018 have been restated as follows:

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**RESTATEMENT OF PRIOR YEAR NET POSITION (Continued)**

	<u>Water</u>	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Total Business-Type Activities</u>	<u>Internal Service Funds</u>
Net Position as Previously Reported	\$ 95,248,032	\$ 123,956,760	\$ 23,960,396	\$ 243,165,188	\$ 12,991,972
Deferred Outflows - Payments					
Subsequent to Measurement Date	66,215	68,795	4,300	139,310	4,300
Net OPEB Liability - OPERS	<u>(4,397,808)</u>	<u>(4,569,151)</u>	<u>(285,572)</u>	<u>(9,252,531)</u>	<u>(285,572)</u>
Restated Net Position at January 1, 2018	<u>\$ 90,916,439</u>	<u>\$ 119,456,404</u>	<u>\$ 23,679,124</u>	<u>\$ 234,051,967</u>	<u>\$ 12,710,700</u>

Other than employer contributions subsequent to the measurement date, the County made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**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 Administration special revenue fund.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

	Net Change in Fund Balance		
	<u>General and Major Special Revenue Funds</u>		
	General	DD Board	ADAMHS Board
GAAP Basis	\$2,188,950	(\$445,279)	(\$61,271)
Net Adjustment for Revenue Accruals	146,986	141,934	(524,050)
Advances In	46,133	-	-
Advances Out	(680,000)	-	-
Beginning Fair Value Adjustment	1,023,905	-	-
Ending Fair Value Adjustment	(1,359,138)	-	-
Net Adjustment for Expenditure Accruals	(159,917)	178,546	(15,113)
Adjustment for Funds Budgeted as Special Revenue	(584,345)	-	-
Adjustment for Encumbrances	(851,681)	-	(45,441)
Budget Basis	<u>(\$229,107)</u>	<u>(\$124,799)</u>	<u>(\$645,875)</u>

**NOTE E – DEPOSITS AND INVESTMENTS**

**PRIMARY GOVERNMENT**

State statutes classify monies held by the County into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the County, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the County has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**PRIMARY GOVERNMENT (CONTINUED)**

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

Interim monies to be deposited or invested in the following securities:

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;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 division (1) or (2) and repurchase agreements secured by such obligations.
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**PRIMARY GOVERNMENT (CONTINUED)**

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the County's name.

**DEPOSITS**

*Custodial Credit Risk*

At December 31, 2018, the carrying amount of the County's deposits was \$77,858,421. Based on the criteria described in GASB 40, "Deposits and Investment Risk Disclosures", as of December 31, 2018, \$79,271,531 of the County's bank balance of \$81,784,944 was exposed to custodial risk as discussed below, while \$2,513,413 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 will not be able to recover deposits or collateral securities that are in possession of an outside party. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by (1) eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State. For 2018, the County's financial institutions were approved for a collateral rate of 102% through the OPCS.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**DEPOSITS (Continued)**

Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the County to a successful claim by the FDIC.

**INVESTMENTS**

As of December 31, 2018, the County had \$76,772,320 invested in STAR Ohio. The County's investments are valued using quoted market prices (level 1 inputs).

Investments are reported at fair value. As of December 31, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Investment Maturities</u>			<u>Total</u>
	<u>Less than Six Months</u>	<u>More Than Six Months But Less Than One Year</u>	<u>More Than One Year But Less Than Three Years</u>	
Federal Farm Credit Bank Bonds	\$ -	\$ -	\$ 24,550,795	\$ 24,550,795
Federal Home Loan Bank Notes	-	-	17,532,945	17,532,945
Federal Home Loan Mortgage Corporation	3,632,444	2,915,716	39,814,921	46,363,081
Corporate Note	2,099,281	-	-	2,099,281
Federal National Mortgage Association	2,494,820	993,200	4,264,717	7,752,737
Commercial Paper	4,200,588	19,369,576	-	23,570,164
Municipal & Ohio Entities	-	-	258,861	258,861
STAROhio	76,772,320	-	-	76,772,320
Total Portfolio	<u>\$ 89,199,453</u>	<u>\$ 23,278,492</u>	<u>\$ 86,422,239</u>	<u>\$ 198,900,184</u>

**Interest Rate Risk**

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

**Credit Risk**

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**INVESTMENTS (CONTINUED)**

*Custodial Credit Risk*

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

*Concentration of Credit Risk*

The County places no limit on the amount it may invest in any one issuer. The following is the County's allocation as of December 31, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Farm Credit Bank Bonds	\$ 24,550,795	12.3%
Federal Home Loan Bank Notes	17,532,945	8.8%
Federal Home Loan Mortgage Corporation	46,363,081	23.3%
Corporate Note	2,099,281	1.1%
Federal National Mortgage Association	7,752,737	3.9%
Municipal - Ohio Entities	258,861	0.1%
Commercial Paper	23,570,164	11.9%
STAROhio	76,772,320	38.7%
Total Investments	<u>\$ 198,900,184</u>	<u>100.0%</u>

**COMPONENT UNITS**

At December 31, 2018, the carrying amount of Deepwood Industries, Inc. Workshop's deposits was \$878,105. Based on the criteria described in GASB Statement No. 40 "Deposits and Investments Risk Disclosures", as of December 31, 2018, \$755,845 of the Workshop's bank balance of \$885,998 was exposed to custodial risk, meaning \$130,153 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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**COMPONENT UNITS (Continued)**

At December 31, 2018, the carrying amount of all Lake County Port & Economic Development Authority deposits was \$662,763 and the bank balance of all Authority deposits was \$736,179. \$460,787 of the bank balance was covered by Federal Deposit Insurance Corporation (FDIC) and \$275,392 was potentially exposed to custodial credit risk. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

**NOTE F – CAPITAL ASSETS**

Governmental capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 01/01/2018	Additions	Deletions	Balance 12/31/2018
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,150,279	\$ -	\$ -	\$ 3,150,279
Construction in Progress	14,515,778	15,027,800	-	29,543,578
<i>Total Capital Assets Not Being Depreciated</i>	<u>17,666,057</u>	<u>15,027,800</u>	<u>-</u>	<u>32,693,857</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	942,696	69,449	(15,090)	997,055
Buildings & Other Structures	101,994,783	193,697	-	102,188,480
Furniture, Fixtures & Equipment	44,440,250	2,212,528	(2,279,418)	44,373,360
Infrastructure	121,498,462	6,094,945	(167,983)	127,425,424
<i>Total Capital Assets, Being Depreciated</i>	<u>268,876,191</u>	<u>8,570,619</u>	<u>(2,462,491)</u>	<u>274,984,319</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(736,183)	(32,129)	15,090	(753,222)
Buildings & Other Structures	(53,734,508)	(2,655,552)	-	(56,390,060)
Furniture, Fixtures & Equipment	(27,514,897)	(2,620,098)	2,112,129	(28,022,866)
Infrastructure	(58,590,319)	(3,882,433)	72,280	(62,400,472)
<i>Total Accumulated Depreciation</i>	<u>(140,575,907)</u>	<u>(9,190,212) *</u>	<u>2,199,499</u>	<u>(147,566,620)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>128,300,284</u>	<u>(619,593)</u>	<u>(262,992)</u>	<u>127,417,699</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 145,966,341</u>	<u>\$ 14,408,207</u>	<u>\$ (262,992)</u>	<u>\$ 160,111,556</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

General Government	\$	807,212
Judicial and Public Safety		3,151,574
Public Works		4,287,837
Human Services		852,797
Health		90,792
		9,190,212
Total	\$	9,190,212

Business-type capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 01/01/2018	Additions	Reductions	Balance 12/31/2018
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 4,602,592	\$ -	\$ -	\$ 4,602,592
Construction in Progress	19,368,472	15,712,543	(8,035,998)	27,045,017
<i>Total Capital Assets Not Being Depreciated</i>	23,971,064	15,712,543	(8,035,998)	31,647,609
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	383,823	-	-	383,823
Utility Plant in Service	449,818,506	9,251,123	(9,904)	459,059,725
Furniture, Fixtures and Equipment	10,419,759	544,341	(134,618)	10,829,482
<i>Total Capital Assets, Being Depreciated</i>	460,622,088	9,795,464	(144,522)	470,273,030
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(333,562)	(8,774)	-	(342,336)
Utility Plant in Service	(239,997,880)	(8,061,915)	-	(248,059,795)
Furniture, Fixtures and Equipment	(8,033,494)	(760,658)	134,618	(8,659,534)
<i>Total Accumulated Depreciation</i>	(248,364,936)	(8,831,347)	134,618	(257,061,665)
<i>Total Capital Assets Being Depreciated, Net</i>	212,257,152	964,117	(9,904)	213,211,365
<i>Total Business-Type Capital Assets, Net</i>	\$ 236,228,216	\$ 16,676,660	\$ (8,045,902)	\$ 244,858,974

**NOTE G – INTERFUND TRANSACTIONS**

Due to/from other funds and interfund payables and receivables balances at December 31, 2018, 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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE G – INTERFUND TRANSACTIONS (CONTINUED)**

	Due From	Due To
<b>Governmental Funds:</b>		
General Fund	\$24,811	\$36,137
ADAMHS Board	-	114
Other Nonmajor Governmental Funds	160,462	181,297
<i>Total Governmental Funds</i>	185,273	217,548
<b>Proprietary Funds:</b>		
Water	-	2,825
Wastewater	-	983
Solid Waste	-	152
Internal Service Funds	36,325	90
<i>Total Proprietary Funds</i>	36,325	4,050
<b>Total</b>	<b>\$221,598</b>	<b>\$221,598</b>
	Interfund Receivables	Interfund Payables
General Fund	\$669,765	\$0
Municipal Street Improvements	-	650,000
Domestic Relations	-	19,765
<b>Total</b>	<b>\$669,765</b>	<b>\$669,765</b>

The General Fund provided cash to the Domestic Relations Fund for a deficiency in the fund due to the timing of a grant reimbursement. The County expects this advance to be repaid within one year. The General Fund also provided cash to the Municipal Street Improvements Fund for a deficiency in the fund due to the timing of a grant reimbursement.

**NOTE H – LONG-TERM DEBT**

The issue date, interest rates and issuance amount for each of the County's bonds and loans follows:

	Issuance Date	Maturity Date	Original Interest Rate	Original Issue Amount
<b>Governmental Activities:</b>				
<b>General Obligation Bonds:</b>				
County Building Improvement & Refunding	2013	2025	1.25% - 3.50%	\$9,435,000
Dog Shelter Renovation	2007	2032	4.05% - 5.00%	1,545,000
<b>Special Assessment Bonds:</b>				
Project 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	1996	2019	5.80%	850,000
Girdled, Wood, Timberlane 206W, 220W, 227W	2000	2020	5.60%	1,145,000
Pinecrest Area, Beechersbrook Lane, Imperial Woods 216W, 231W, 221S	2000	2020	5.60%	1,280,000

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Original Interest Rate</u>	<u>Original Issue Amount</u>
<b><i>Governmental Activities (Continued):</i></b>				
Special Assessment Bonds (Continued):				
Concord, Lane, Shepard, Lockwood 234S, 212W, 240W Windpoint Reserve, McMackin, South Ridge, Shepard, Baldwin, Althea, Dormae Roads 242S, 243W, 248W 249W, 250W, 251W, 253W	2002	2022	2.00% - 4.75%	2,862,500
Mount Royal, Spring Lake, Spring Lake Loop 241W, 246W, 265W	2004	2024	2.00% - 5.35%	1,610,000
Route 20 East of Lane, Perry Village, Ashview, Meadow Wood, Perry Park Road 244S, 258S, 274S, 262W, 300W	2005	2025	3.50% - 5.00%	670,000
Maple Street 291S	2009	2029	2.00% - 5.25%	1,857,000
Kirtland Sanitary Sewer	2009	2029	2.00% - 5.25%	540,000
	2013	2042	2.00% - 3.75%	3,538,451
OPWC Loans:				
CG10J - US Route 20 Storm Drainage Outlet Sewer	2008	2018	0.00%	150,000
CG71M - Mill-Moor Drive, Ravenna Road	2010	2025	0.00%	218,009
CG34L - River Road Safety Improvement Phase II	2010	2030	0.00%	588,000
CG22P - Blase' Nemeth Widening	2013	2029	0.00%	8,327
CG05P - Vrooman Road, State Route 86	2013	2029	0.00%	82,048
CG13T - Auburn and Hardy Roads	2018	2032	0.00%	11,896
SIP Loan Vrooman Road Bridge	2016	2021	3.00%	2,000
<b><i>Business-Type Activities:</i></b>				
General Obligation Bonds:				
Concord Area 234S	2002	2022	2.00% - 4.75%	1,742,500
Kirtland Sanitary Sewer 284S	2012	2042	2.00% - 3.75%	1,896,549
OWDA Loans				
Project 218S	2000	2020	4.12%	36,199,145
Madison Township WWTP Expansion	2015	2039	2.74% - 3.24%	12,442,917
City of Willoughby Hills	2006	2025	3.03%	488,959
Aquarius Water Treatment Plant	2018	2038	3.00%	557,419
OPWC Loans				
CG17K - Mentor Headlands San Sewer Replacement	2010	2029	0.00%	142,683
CG02M - Dundee Glasgow & Kelso Sewer	2011	2041	0.00%	8,402
CG38O - Bellflower Area Outlet Sewer Replace	2013	2033	0.00%	50,000
CG10P - Glyco Forcemain Replacement	2015	2036	0.00%	50,000
CG46O - Cedar Park Woodland Sewer Phase II	2016	2036	0.00%	249,970
CG11K - Hubbard Road Waterline	2012	2032	0.00%	49,550
CG37P - Lakeshore Boulevard Waterline	2015	2036	0.00%	235,000
CG02O - Johnny Cake Ridge Road Waterline	2016	2037	0.00%	98,381
CG40T - Nan Linn Road Waterline Project	2017	2037	0.00%	118,475
CG26R - Mentor Marsh Sanitary Interceptor Project	2018	2038	0.00%	50,000
CG52T - Deerfield Relief Sewer	2018	2038	0.00%	15,756
CG37U - Strawberry Lane Waterline Replacement	2018	2038	0.00%	37,216

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Changes in long-term obligations during the year ended December 31, 2018 consist of the following:

	(Restated) Balance 12/31/17	Additions	Deductions	Balance 12/31/18	Due in One Year
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
County Building Improvement & Refunding-2013	\$ 8,250,000	\$ -	\$ (940,000)	\$ 7,310,000	\$ 955,000
Dog Shelter Renovation	1,150,000	-	(55,000)	1,095,000	55,000
<i>Total General Obligation Bonds- Unvoted</i>	<u>9,400,000</u>	<u>-</u>	<u>(995,000)</u>	<u>8,405,000</u>	<u>1,010,000</u>
<i>Special Assessment Bonds:</i>					
Projects 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	10,000	-	(5,000)	5,000	5,000
Girdled, Wood, Timberlane	180,000	-	(60,000)	120,000	60,000
Pinecrest Area, Beechersbrook Lane, Imperial Woods	240,000	-	(60,000)	180,000	60,000
Concord Area, Lane, Shepard, Lockwood	952,800	-	(170,450)	782,350	179,300
Windpoint Reserve, McMackin, South Ridge, Shepard, Baldwin, Althea, Dormae Roads	720,000	-	(90,000)	630,000	90,000
Mount Royal, Spring Lake, Spring Lake Loop	335,000	-	(35,000)	300,000	35,000
Route 20 East of Lane, Perry Village, Ashview, Meadow Wood, Perry Park	1,215,000	-	(85,000)	1,130,000	90,000
Maple Street	380,000	-	(25,000)	355,000	25,000
Kirtland Sanitary Sewer	3,183,630	-	(84,636)	3,098,994	87,892
<i>Total Special Assessment Bonds:</i>	<u>7,216,430</u>	<u>-</u>	<u>(615,086)</u>	<u>6,601,344</u>	<u>632,192</u>
<i>Other Long-Term Obligations:</i>					
OPWC-U.S. Route 20 Storm Drainage Outlet Sewer	7,500	-	(7,500)	-	-
OPWC-Mill-Morr Drive, Ravenna Road	101,737	-	(14,534)	87,203	14,534
OPWC-River Road Safety Improvement	352,800	-	(29,400)	323,400	29,400
OPWC-Blasé Nemeth Widening	5,829	-	(555)	5,274	555
OPWC-Vrooman Road-State Route 86	60,168	-	(5,470)	54,698	5,470
OPWC-Auburn and Hardy Roads	-	11,896	(792)	11,104	793
Vrooman Road Bridge SIP Loan	1,431	-	(1,431)	-	-
Unamortized Premium on Debt Issues	543,735	-	(56,230)	487,505	-
Notes Payable***	-	13,400,000	-	13,400,000	-
Capital Leases	523,562	-	(115,863)	407,699	119,340
Compensated Absences	10,824,582	1,595,671	(1,833,292)	10,586,961	900,458
<i>Total Other Long-Term Obligations</i>	<u>12,421,344</u>	<u>15,007,567</u>	<u>(2,065,067)</u>	<u>25,363,844</u>	<u>1,070,550</u>
<i>Total Before Net Pension &amp; OPEB Liabilities</i>	<u>29,037,774</u>	<u>15,007,567</u>	<u>(3,675,153)</u>	<u>40,370,188</u>	<u>2,712,742</u>
<i>Net Pension Liability:</i>					
OPERS (net of net pension asset)	116,493,770	-	(35,939,645)	80,554,125	-
STRS	346,519	-	(161,397)	185,122	-
<i>Total Net Pension Liability</i>	<u>116,840,289</u>	<u>-</u>	<u>(36,101,042)</u>	<u>80,739,247</u>	<u>-</u>
<i>Net OPEB Liability:</i>					
OPERS (net of net OPEB asset)	51,124,268	4,151,671	-	55,275,939	-
STRS	55,364	-	(24,959)	30,405	-
<i>Total Net OPEB Liability</i>	<u>51,179,632</u>	<u>4,151,671</u>	<u>(24,959)</u>	<u>55,306,344</u>	<u>-</u>
<i>Total Governmental Long-Term Obligations</i>	<u>\$ 197,057,695</u>	<u>\$ 19,159,238</u>	<u>\$ (39,801,154)</u>	<u>\$ 176,415,779</u>	<u>\$ 2,712,742</u>

\*\*\*See Note I for detail on the long-term notes payable.



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

	(Restated)				
	Balance 12/31/17	Additions	Deductions	Balance 12/31/18	Due in One Year
<b><i>Business-Type Activities:</i></b>					
<i>Self-Supporting General Obligation Bonds Payable from Enterprise Funds</i>					
<u><i>G.O. Bonds Payable from Wastewater Revenues</i></u>					
Concord Area 234S	\$ 582,200	\$ -	\$ (104,550)	\$ 477,650	\$ 110,700
Kirtland Sanitary Sewer 284S	1,706,370	-	(45,364)	1,661,006	47,108
<i>Total G.O. Bonds Payable from Wastewater</i>	<u>2,288,570</u>	<u>-</u>	<u>(149,914)</u>	<u>2,138,656</u>	<u>157,808</u>
<u><i>OWDA Loans Payable from Wastewater Revenues</i></u>					
Project 218S	6,292,116	-	(2,440,144)	3,851,972	2,541,713
Madison Township WWTP Expansion	13,294,729	-	(461,247)	12,833,482	473,972
<i>Total OWDA Loans Payable from Wastewater</i>	<u>19,586,845</u>	<u>-</u>	<u>(2,901,391)</u>	<u>16,685,454</u>	<u>3,015,685</u>
<u><i>OWDA Loans Payable from Water Revenues</i></u>					
Aquarius Water Treatment Plant	-	557,419	-	557,419	33,648
<i>Total OWDA Loans Payable</i>	<u>19,586,845</u>	<u>557,419</u>	<u>(2,901,391)</u>	<u>17,242,873</u>	<u>3,049,333</u>
<i>Other Long-Term Liabilities:</i>					
<u><i>Payable from Wastewater</i></u>					
City of Willoughby Hills	206,421	-	(26,895)	179,526	27,718
OPWC - Mentor Headlands San Sewer Replacement	85,611	-	(7,134)	78,477	7,134
OPWC - Dundee Glasgow & Kelso Sewer	6,722	-	(280)	6,442	280
OPWC - Bellflower Area Outlet Sewer Replace	38,750	-	(2,500)	36,250	2,500
OPWC - Glyco Forcemain Replacement	46,250	-	(2,500)	43,750	2,500
OPWC - Cedar Park Woodland Sewer Phase II	237,471	-	(12,499)	224,972	12,499
OPWC - Mentor Marsh Sanitary Interceptor Replace.	-	50,000	-	50,000	2,500
OPWC - Deerfield Relief Sewer***	-	15,756	-	15,756	-
<i>Total Other Long-Term Payable from Wastewater</i>	<u>621,225</u>	<u>65,756</u>	<u>(51,808)</u>	<u>635,173</u>	<u>55,131</u>
<u><i>Payable from Water</i></u>					
OPWC - Hubbard Road Waterline	37,160	-	(2,478)	34,682	2,477
OPWC - Lakeshore Boulevard Waterline	217,375	-	(11,750)	205,625	11,750
OPWC - Johnny Cake Ridge Road Waterline	95,921	-	(4,919)	91,002	4,919
OPWC - Nan Linn Road Waterline Project	118,475	-	(5,924)	112,551	5,924
OPWC - Strawberry Lane Waterline Replacement	-	37,216	-	37,216	1,861
<i>Total Other Long-Term Payable from Water</i>	<u>468,931</u>	<u>37,216</u>	<u>(25,071)</u>	<u>481,076</u>	<u>26,931</u>
<i>Total Other Long-Term Obligations</i>	<u>1,090,156</u>	<u>102,972</u>	<u>(76,879)</u>	<u>1,116,249</u>	<u>82,062</u>
<i>Total G.O. Bonds, OWDA and OPWC Loans</i>	<u>22,965,571</u>	<u>660,391</u>	<u>(3,128,184)</u>	<u>20,497,778</u>	<u>3,289,203</u>
Notes Payable***	7,723,001	12,811,445	(7,732,724)	12,801,722	12,801,722
Landfill Closure and Postclosure Costs	8,568,760	384,384	-	8,953,144	-
Compensated Absences	1,708,806	78,735	(102,694)	1,684,847	185,756
<i>Total Before Net Pension &amp; OPEB Liabilities</i>	<u>40,966,138</u>	<u>13,934,955</u>	<u>(10,963,602)</u>	<u>43,937,491</u>	<u>16,276,681</u>
<i>Net Pension &amp; OPEB Liabilities:</i>					
Net Pension Liability (net of net pension asset)	20,969,495	-	(6,521,866)	14,447,629	-
Net OPEB Liability	9,252,531	716,156	-	9,968,687	-
<i>Total Net Pension &amp; OPEB Liabilities</i>	<u>30,222,026</u>	<u>716,156</u>	<u>(6,521,866)</u>	<u>24,416,316</u>	<u>-</u>
<i>Total Business-Type Long-Term Obligations</i>	<u>\$ 71,188,164</u>	<u>\$ 14,651,111</u>	<u>\$ (17,485,468)</u>	<u>\$ 68,353,807</u>	<u>\$ 16,276,681</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

\*\*\*The County has entered into a contractual agreement with the OPWC for the Deerfield Relief Sewer project to be paid from the Wastewater fund. As of December 31, 2018 the County has received \$15,756 of this loan. Under the terms of this agreement, OPWC will reimburse, advance, or directly pay the construction costs of the approved project. OPWC will capitalize administrative costs and construction interest and add them to the total amount of the final loan. Since the loan has not yet been finalized, repayment schedules are not included in the schedule of debt service requirements.

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2018 are as follows:

*Governmental Activities*

Year	General Obligation Bonds		Special Assessment Bonds		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,010,000	\$ 295,900	\$ 632,192	\$ 284,253	\$ 50,752	\$ -
2020	1,040,000	264,500	659,297	253,906	50,752	-
2021	1,065,000	232,100	623,147	223,268	50,752	-
2022	1,100,000	198,950	592,302	193,643	50,752	-
2023	1,145,000	159,475	397,657	165,777	50,752	-
2024-2028	2,655,000	278,100	1,557,115	580,406	195,347	-
2029-2033	390,000	50,000	681,283	332,068	32,572	-
2034-2038	-	-	755,218	214,381	-	-
2039-2042	-	-	703,133	67,139	-	-
<b>Total</b>	<b>\$ 8,405,000</b>	<b>\$ 1,479,025</b>	<b>\$ 6,601,344</b>	<b>\$ 2,314,841</b>	<b>\$ 481,679</b>	<b>\$ -</b>

*Business-Type Activities*

Year	General Obligation Bonds		O.W.D.A Loans		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 157,808	\$ 80,027	\$ 3,049,333	\$ 445,103	\$ 82,062	\$ 5,231
2020	165,704	73,273	1,830,954	354,991	82,908	4,386
2021	171,853	66,770	534,132	321,901	83,780	3,513
2022	177,698	59,340	547,939	308,093	84,677	2,614
2023	52,343	51,658	562,127	293,905	85,603	1,688
2024-2028	287,885	230,539	3,037,540	1,242,621	303,933	734
2029-2033	343,717	176,857	3,455,776	824,385	239,454	-
2034-2038	404,782	114,904	3,819,438	345,187	137,236	-
2039-2042	376,866	35,986	405,634	5,557	840	-
<b>Total</b>	<b>\$ 2,138,656</b>	<b>\$ 889,354</b>	<b>\$ 17,242,873</b>	<b>\$ 4,141,743</b>	<b>\$ 1,100,493</b>	<b>\$ 18,166</b>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

At December 31, 2018, 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 \$6,235,207. Of this amount, \$6,148,260 represents future rental payments for the occupation of buildings. Operating lease payments are recorded in the period they are paid. These operating leases all have required monthly payments and some have renewal options available.

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

Year	Amount
2019	\$644,658
2020	520,170
2021	518,361
2022	499,321
2023	495,163
2024 - 2028	2,420,657
2029 - 2033	1,136,877
Total	\$6,235,207

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

In 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, 2018, \$7,310,000 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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Ohio Water Development Authority (OWDA) loans are direct obligations of the enterprise funds. Administration of principal and interest is managed directly by the Department of Utilities. The loans are secured by the assets to which they are related. The OWDA loans are retired from user fees. During 2018, the County issued \$557,419 for a new OWDA loan for the Aquarius Water Treatment Plant project.

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 \$179,526 as of the balance sheet date, is to be financed from wastewater revenues. The agreement further provides for the reconveyance of the assets and the responsibility for servicing the related indebtedness to the City in the event disposition of such by the County is desired or found necessary. Additional other long-term obligations are interest-free loans from the Ohio Public Works Commission. Six are for governmental activities for road repairs and nine are for business-type activities, five for wastewater system improvements and four for water system improvements.

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

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

The County has pledged future wastewater revenues to repay OWDA loans and OPWC loans. All of the debt is solely payable from net revenues and are payable through 2041. The total principal and interest remaining to be paid on the wastewater debt is \$21,480,535. Principal and interest paid for the year for the wastewater debt was \$3,491,038, total net revenues were \$5,204,177 and total revenues were \$18,881,388.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The County has pledged future water revenues to repay OWDA and OPWC loans. All of the debt is solely payable from net revenues and are payable through 2037. The total principal remaining to be paid on the water debt is \$1,038,495. Principal paid for the year for the water debt was \$25,071, total net revenues were \$4,145,578 and total revenues were \$17,106,876.

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, 2018, the County had an unvoted debt margin of \$36.2 million and a direct debt margin of \$122.4 million.

**Conduit Debt Obligations**

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there were three series of Hospital Revenue Bonds and one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$127,895,000.

**NOTE I – LONG-TERM NOTES PAYABLE**

A summary of governmental note transactions for the year ended December 31, 2018 follows:

YEAR ISSUED	PURPOSE/DESCRIPTION	FINAL MATURITY	INTEREST RATE	BALANCE JAN. 1, 2018	PRINCIPAL ISSUED IN 2018	PRINCIPAL RETIRED IN 2018	BALANCE DEC. 31, 2018
<i>Governmental Activities:</i>							
2018	Administrative Building	2019	2.0%	\$ -	\$ 12,000,000	\$ -	\$ 12,000,000
2018	Additional Motor Vehicle	2022	2.0-2.25%	-	1,400,000	-	1,400,000
<b>Total Notes Payable from Governmental Activities</b>				<b>\$ -</b>	<b>\$ 13,400,000</b>	<b>\$ -</b>	<b>\$ 13,400,000</b>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE I – NOTES PAYABLE (Continued)**

The notes payable from governmental funds were used to the administration building project and motor vehicle purchase. These notes proceeds were accounted for in Nonmajor governmental funds.

A summary of business-type note transactions for the year ended December 31, 2018 follows:

YEAR ISSUED	PURPOSE/ DESCRIPTION	FINAL MATURITY	INTEREST RATE	BALANCE JAN. 1, 2018	PRINCIPAL ISSUED IN 2018	PRINCIPAL RETIRED IN 2018	BALANCE DEC. 31, 2018
<i>Business-Type Activities:</i>							
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS:</u>							
<u>Payable From Water Fund:</u>							
2017	Water District Improvement - 302W	2018	1.50%	1,200,000	-	(1,200,000)	-
2017	Premium on Note Issuance	2018	n/a	1,642	-	(1,642)	-
2017	Water District Improvement - 354W	2018	1.50%	584,800	-	(584,800)	-
2017	Water District Improvement - 360W	2018	1.50%	712,450	-	(712,450)	-
2017	Water District Improvement - 372W	2018	1.50%	347,200	-	(347,200)	-
2017	Water District Improvement - 374W	2018	1.50%	394,750	-	(394,750)	-
2017	Water District Improvement - 380W	2018	2.00%	252,000	-	(252,000)	-
2017	Water District Improvement - 395W	2018	1.50%	216,800	-	(216,800)	-
2018	Water District Improvement - 271W	2019	2.25%	-	600,000	-	600,000
2018	Water District Improvement - 383W	2019	2.00%	-	3,500,000	-	3,500,000
2018	Water District Improvement - 354W	2019	2.50%	-	584,800	-	584,800
2018	Water District Improvement - 360W	2019	2.50%	-	712,450	-	712,450
2018	Water District Improvement - 374W	2019	2.50%	-	394,750	-	394,750
2018	Premium on Note Issuance	2019	n/a	-	7,838	(3,919)	3,919
Total Notes Payable From Water Fund				<u>3,709,642</u>	<u>5,799,838</u>	<u>(3,713,561)</u>	<u>5,795,919</u>
<u>Payable From Wastewater Fund:</u>							
2017	Sewer District Improvement - 336S	2018	2.00%	4,000,000	-	(4,000,000)	-
2017	Premium on Note Issuance	2018	n/a	13,359	-	(13,359)	-
2018	Sewer District Improvement - 336S	2019	2.50%	-	3,500,000	-	3,500,000
2018	Sewer District Improvement - 382S	2019	2.00%	-	3,500,000	-	3,500,000
2018	Premium on Note Issuance	2019	n/a	-	11,607	(5,804)	5,803
Total Notes Payable From Wastewater Fund				<u>4,013,359</u>	<u>7,011,607</u>	<u>(4,019,163)</u>	<u>7,005,803</u>
<b>TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS</b>				<u>\$ 7,723,001</u>	<u>\$ 12,811,445</u>	<u>\$ (7,732,724)</u>	<u>\$ 12,801,722</u>

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**NOTE J – DEFINED BENEFIT PENSION PLANS**

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

Net Pension Liability (Asset)

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

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

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

The County's share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

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

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members of the County may elect the member-directed plan and the combined plan, substantially all employees are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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



**LAKE COUNTY, OHIO**  
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**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

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

	<u>State and Local</u>
<b>2018 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee	10.0%
<b>2018 Actual Contribution Rates</b>	
Employer:	
Pension	14.0%
Post-Employment Health Care Benefits	<u>0.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County’s contractual required contribution was \$11,866,753 for 2018.

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

***Pension Liabilities (Assets), Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional	OPERS Combined	OPERS Total
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.60678400%	0.58763800%	
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.61091500%	0.61628600%	
Change in Proportionate Share	0.00413100%	0.02864800%	
Proportionate Share of the Net Pension Liability (Asset)	\$95,840,719	(\$838,965)	\$95,001,754
Pension Expense	\$20,613,149	\$136,995	\$20,750,144

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

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

	OPERS Traditional	OPERS Combined	OPERS Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$97,876	\$0	\$97,876
Change of Assumptions	11,453,546	73,315	11,526,861
Change in proportionate share and difference between County contributions and proportionate share of contributions	422,099	24,374	446,473
County contributions subsequent to the measurement date	<u>11,505,750</u>	<u>361,003</u>	<u>11,866,753</u>
Total Deferred Outflows of Resources	<u>\$23,479,271</u>	<u>\$458,692</u>	<u>\$23,937,963</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$1,888,712	\$249,932	\$2,138,644
Net difference between projected and actual earnings on pension plan investments	20,575,739	132,367	20,708,106
Change in proportionate share and difference between County contributions and proportionate share of contributions	<u>214,278</u>	<u>16,325</u>	<u>230,603</u>
Total Deferred Inflows of Resources	<u>\$22,678,729</u>	<u>\$398,624</u>	<u>\$23,077,353</u>

\$11,866,753 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional	OPERS Combined	OPERS Total
<b>Year Ending December 31:</b>			
2019	\$8,609,465	(\$40,513)	\$8,568,952
2020	(1,799,322)	(44,131)	(1,843,453)
2021	(9,060,472)	(73,788)	(9,134,260)
2022	(8,454,879)	(70,660)	(8,525,539)
2023	0	(24,181)	(24,181)
Thereafter	<u>0</u>	<u>(47,662)</u>	<u>(47,662)</u>
Total	<u>(\$10,705,208)</u>	<u>(\$300,935)</u>	<u>(\$11,006,143)</u>

***Actuarial Assumptions - OPERS***

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement, in accordance with the requirements of GASB 67:

Wage Inflation	3.25 Percent
Future Salary Increases, Including Inflation COLA or Ad hoc COLA	3.25 Percent to 10.75 Percent Pre 1/7/2013 retirees: 3 Percent; Post 1/7/2013 retirees: 3 Percent Simple through 2018, then 2.15 Percent Simple
Investment Rate of Return	7.50 Percent
Actuarial Cost Method	Individual Entry Age
Mortality Tables	RP-2014

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

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

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

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the County’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's Proportionate Share of the Net Pension Liability (Asset) - Traditional	\$170,188,701	\$95,840,719	\$33,856,909
County's Proportionate Share of the Net Pension Liability (Asset) - Combined	(456,052)	(838,965)	(1,103,152)
Total OPERS	\$169,732,649	\$95,001,754	\$32,753,757

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 7.50 percent to 7.20 percent. Although the exact amount of these changes is not known, it has the potential to impact the County's net pension liability.

**STATE TEACHERS RETIREMENT SYSTEM (STRS)**

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The County's contractually required contribution to STRS was \$15,758 for the fiscal year ended June 30, 2018.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the projected contributions of all participating entities.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

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

	STRS
Proportion of the Net Pension Liability	
Prior Measurement Date	0.00103522%
Proportion of the Net Pension Liability	
Current Measurement Date	0.00077929%
Change in Proportionate Share	-0.00025593%
Proportionate Share of the Net	
Pension Liability	\$185,122
Pension Expense	(\$203,487)

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$7,150
Change of Assumptions	40,488
County contributions subsequent to the measurement date	15,758
Total Deferred Outflows of Resources	\$63,396
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$1,492
Net difference between projected and actual earnings on pension plan investments	6,110
Change in proportionate share and difference between County contributions and proportionate share of contributions	376,361
Total Deferred Inflows of Resources	\$383,963



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

\$15,758 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS
<b>Fiscal Year Ending December 31:</b>	
2019	(\$130,350)
2020	(122,042)
2021	(72,438)
2022	(11,495)
Total	(\$336,325)

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE J – DEFINED BENEFIT PENSION PLANS (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	<u>7.45 %</u>

\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

***Discount Rate*** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

***Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

<u></u>	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
County's Proportionate Share of the Net Pension Liability	\$265,366	\$185,122	\$117,528

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

*Assumption Changes Since the Prior Measurement Date* The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

*Benefit Term Changes Since the Prior Measurement Date* Effective July 1, 2017, the COLA was reduced to zero.

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN**

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

***Net OPEB Liability***

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

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

The net OPEB liability represents the County's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, cost trends and other variables.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN  
(CONTINUED)**

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

While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The County's share of each plan's unfunded benefits is presented as a long-term *net other postemployment benefit liability* on the accrual basis of accounting.

Ohio Revised Code limits the County's obligation for liabilities to OPERS to annual required payments. The County cannot control benefit terms or the manner in which OPEB from the cost-sharing, multiple-employer plans are financed; however, the County does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the cost-sharing, multiple-employer retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

***Plan Description—Ohio Public Employees Retirement System (OPERS)***

The County contributes to the health care plans administered by OPERS. OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans; the Traditional Pension Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/defined contribution plan; and the Member-Directed Plan, a defined contribution plan.

Prior to January 1, 2015, OPERS provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning January 1, 2016, Traditional Pension Plan and Combined Plan Medicare-eligible retirees could select supplemental coverage through the OPERS Medicare Connector (Connector). The Connector is a relationship with a vendor selected by OPERS and tasked with assisting eligible retirees, spouses and dependents with selecting and purchasing Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may be eligible for monthly allowances deposited into a health reimbursement arrangement account (HRA) to be used for reimbursement of eligible health care expenses.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN**  
**(CONTINUED)**

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

The OPERS health care plans and prescription drug coverage for non-Medicare eligible recipients are self-insured. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS and attempts to control costs by using managed care, case management and other programs. Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension and Combined plans. A portion of the employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

Effective January 1, 2007, OPERS implemented, with a five-year phase-in, the Health Care Preservation Plan (HCPP) to improve the long-term solvency of the health care fund. The HCPP features coverage levels and provides monthly allowances for health care coverage for retirees and their dependents based on the retiree's years of service. The allowance is determined at date of retirement and is adjusted for inflation annually thereafter based on OPERS Board-approved caps.

The financial report of the health care plans is included in the OPERS Comprehensive Annual Financial Report which can be obtained at <https://www.opers.org/financial/reports.shtml#CAFR>.

Funding Policy-The Ohio Revised Code permits, but does not require, OPERS to offer postemployment health care coverage. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees in Chapter 145 of the Ohio Revised Code. Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined plans was 1.0 percent during calendar year 2017. For the calendar year 2018, OPERS decreased the portion allocated to health care to 0 percent. The County's contractually required contribution to OPERS health care for 2018 was \$0.

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

The net OPEB liability for OPERS was measured as of December 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017 by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

The County's proportion of the net OPEB liability was based on the County's share of contributions to the retirement system relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability Prior Measurement Date	0.59777000%
Proportion of the Net OPEB Liability Current Measurement Date	0.60082000%
Change in Proportionate Share	0.00305000%
Proportionate Share of the Net OPEB Liability	\$65,244,626
OPEB Expense	\$5,648,302

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$50,826
Change of Assumptions	4,750,497
Change in proportionate share and difference between County contributions and proportionate share of contributions	175,234
Total Deferred Outflows of Resources	\$4,976,557
<b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$4,860,288
Change in proportionate share and difference between County contributions and proportionate share of contributions	10
Total Deferred Inflows of Resources	\$4,860,298

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

	OPERS
<b>Year Ending December 31:</b>	
2019	\$1,164,230
2020	1,164,230
2021	(997,128)
2022	(1,215,073)
Total	\$116,259

***Actuarial Assumptions - OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017.

**Key Methods and Assumptions Used in Valuation of the Total OPEB Liability:**

Actuarial Valuation Date	December 31, 2016
Rolled-Forward Measurement Date	December 31, 2017
Experience Study	5-Year Period ended December 31, 2015
Actuarial Cost Method	Individual Age Entry
Actuarial Assumptions:	
Single Discount Rate	3.85 Percent
Investment Rate of Return	6.50 Percent
Municipal Bond Rate	3.31 Percent
Wage Inflation	3.25 Percent
Projected Salary Increases	3.25 - 10.75 Percent (includes wage inflation at 3.25 Percent)
Health Care Cost Trend Rate	7.5 Percent, 3.25 Percent ultimate in 2028

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above tables.

Since the prior measurement date, the single discount rate was decreased from 4.23 percent to 3.85 percent based on a change in the municipal bond rate used between measurement dates.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REIT's	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members.



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

**Discount Rate.** A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates.** The following table present the net OPEB liability calculated using the single discount rate of 3.85% and the expected net OPEB liability if it were calculated using a discount rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
County's Proportionate Share of the Net OPEB Liability	\$86,680,301	\$65,244,626	\$47,903,379

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the Actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease	Current Health Care Trend Rate	1% Increase
County's Proportionate Share of the Net OPEB Liability	\$62,425,198	\$65,244,626	\$68,157,020

In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 7.50 percent to 7.20 percent. Although the exact amount of these changes is not known, it has the potential to impact the County's net OPEB liability.

**STATE TEACHERS RETIREMENT SYSTEM (STRS)**

**Plan Description** – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the County's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	STRS
Proportion of the Net OPEB Liability Prior Measurement Date	0.00103522%
Proportion of the Net OPEB Liability Current Measurement Date	0.00077929%
Change in Proportionate Share	-0.00025593%
 Proportionate Share of the Net OPEB Liability	 \$30,405
OPEB Expense	(\$11,232)

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	STRS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$1,755
 <b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$1,299
Change of Assumptions	2,449
Change in Proportionate Share	11,733
Total Deferred Inflows of Resources	\$15,481

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	STRS
<b>Fiscal Year Ending June 30:</b>	
2019	(\$2,395)
2020	(2,395)
2021	(2,395)
2022	(6,306)
2023	(115)
Thereafter	(120)
Total	(\$13,726)

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE K – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
County's proportionate share of the net OPEB liability	\$40,818	\$30,405	\$22,175
	1% Decrease	Current Trend Rate	1% Increase
County's proportionate share of the net OPEB liability	\$21,124	\$30,405	\$42,620

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**NOTE L – PROPERTY TAX REVENUES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2018 lien date. Assessed values are established by State law at 35% of appraised market value. 2018 real property taxes are collected in and intended to finance 2019 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018 and are collected in 2019 with real property taxes.

The State of Ohio, with the passage of House Bill No. 66, which was signed into law on June 30, 2005, phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general businesses and railroads was eliminated by calendar year 2008. The tax on telephone and telecommunications was eliminated by calendar year 2012. For the telephone and telecommunications companies, the personal property tax is due by September 20<sup>th</sup>. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2006-2010, the County was fully reimbursed for the lost revenue. In calendar years 2012-2018, the reimbursements was phased out.

The full tax rate for all County operations for the year ended December 31, 2018, was \$9.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

Real Property	\$5,967,599,530
Public Utility Personal Property	<u>361,378,000</u>
Total Assessed Value	<u><u>\$6,328,977,530</u></u>

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property tax receivables represent real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2018 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 2018 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 2018 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is reported as deferred inflows of resources – unavailable revenue.

**NOTE M – RECEIVABLES & REVENUES**

Receivables at December 31, 2018, 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.

Total special assessments expected to be collected amounts to \$13,131,000, consisting of \$7,964,213 in the special assessment bond retirement fund and \$5,166,787 in Engineers’ storm-water management fund. The amount of delinquent special assessments outstanding at year-end is \$270,671.

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

<i><b>Governmental Activities</b></i>	<u>Amount</u>
Grants, Incentives and Reimbursements	\$18,078,300
Motor Vehicle License Tax and Gas Tax	688,004
Casino Revenue	677,055
Public Defender Reimbursements	165,276
Charges for Services	113,797
Local Government Fund	88,010
Fines and Forfeitures	37,582
Internal Service	<u>15,516</u>
<i>Total</i>	<u><u>\$19,863,540</u></u>



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE N – INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>			<u>Totals</u>
	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	
General	\$ 979,446	\$ 1,195,250	\$ 11,500,000	\$ 13,674,696
Developmental Disabilities Board	-	-	4,501,198	4,501,198
Nonmajor Special Revenue	4,819,420	112,500	250,000	5,181,920
Water	100,000	-	-	100,000
<i>Transfer Totals</i>	<u>\$ 5,898,866</u>	<u>\$ 1,307,750</u>	<u>\$ 16,251,198</u>	<u>\$ 23,457,814</u>

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

**NOTE O – ENCUMBRANCES**

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

At December 31, 2018, encumbrances outstanding in governmental funds and proprietary funds which were re-appropriated in the 2019 budget were:

General Fund	\$940,267
ADAMHS Board	45,441
Non-Major Special Revenue Funds	2,075,411
Non-Major Capital Projects Funds	13,662,725
Enterprise Funds	684,597
Non-Major Internal Service Funds	19,621
<i>Total</i>	<u>\$17,428,062</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2018 encumbrances less these accrued liabilities were:

General Fund	\$608,776
ADAMHS Board	38,413
Non-Major Special Revenue Funds	1,535,159
Non-Major Capital Projects Funds	13,154,107
Enterprise Funds	619,555
Non-Major Internal Service Funds	16,780
<i>Total</i>	<u><u>\$15,972,790</u></u>

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

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

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

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

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

During 2016, Lake County was granted a permit from the Ohio Environmental Protection Agency to allow for vertical (upward) expansion at the County's Landfill. The expansion results in a capacity increase of approximately 6.5 million tons. The County's liability for landfill closure and post closure costs increased in 2018 by approximately \$0.4 million.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The \$9.0 million reported as landfill closure and post closure care liability at December 31, 2018, represents the cumulative amount reported to date based on the use of 61.0 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$7.2 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 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE R – RELATED PARTY TRANSACTIONS**

During 2018, 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 \$166,124 for such contributions, recording revenue and expenses at cost or fair value, as applicable, to the extent the contribution is related to the vocational purposes of the Workshop.

**NOTE S – RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County contracted with CORSA (County Risk Sharing Authority, Inc.) for property and general liability coverage including automobiles, equipment and public officials' liability. The County also maintains health-care benefits, as well as additional property and general liability coverage, from private carriers. There were no significant reductions in coverage in 2018 as compared to the previous year. Insurance premiums paid to private carriers during 2018 were approximately \$0.7 million. The amount of settlements did not exceed the coverage for each of the past three years. The County pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

In 1999, the County Commissioners initiated a self-insurance program for medical prescription coverage only. Then in 2004, the Commissioners initiated a self-insurance program for dental coverage. The maintenance of these benefits is accounted for in the Prescription Self-Insurance and the Dental Self-Insurance funds, respectively, both of which are Internal Service funds. Incurred, but not reported, prescription claims of \$198,236 and dental claims of \$50,418, have been accrued based upon a review of the January, 2019 billings provided by the County Commissioners' Office.

The total claims liability of \$248,654 reported in the internal service fund at December 31, 2018, 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, 2018**

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

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
<b><u>Prescription:</u></b>				
2016	\$ 122,575	\$ 3,341,680	\$ 3,344,118	\$ 120,137
2017	120,137	3,102,265	3,120,321	102,081
2018	102,081	3,720,952	3,624,797	198,236
<b><u>Dental:</u></b>				
2016	\$ 56,070	\$ 679,196	\$ 683,387	\$ 51,879
2017	51,879	656,713	657,849	50,743
2018	50,743	620,872	621,197	50,418

**NOTE T – PUBLIC ENTITY RISK POOLS**

**COUNTY RISK SHARING AUTHORITY**

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

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2018 was \$682,497.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**NOTE U – DEFICIT FUND BALANCE**

At December 31, 2018, the following fund had a deficit fund balance:

Fund	Amount
Domestic Relations Court Computer	\$17,536

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

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

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

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

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

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

The following are the amounts that would have been received by the respective County funds, for the year ended December 31, 2018, had the TIF agreements not been established and the improvements still constructed:

	Amount
<b>Governmental Funds:</b>	
General Fund	\$65,714
Developmental Disabilities Board	300,352
ADAMHS Board	99,703
Childrens Services Board	66,284
Narcotics Agency Fund	16,303
Forensic Crime Laboratory Fund	42,833
Senior Citizens Levy Fund	49,901
<i>Total</i>	\$641,090

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

The second of these incentives, which is authorized pursuant to Ohio Revised Code Chapter 3735, is called Community Reinvestment Areas (CRA's). In order to establish a CRA, a city, village or township must survey the housing within its jurisdiction and determine that all or part(s) of the jurisdiction has an area(s) that has housing facilities or structures of historical significance and that repair of these facilities and/or structures is discouraged. By establishing a CRA within its jurisdiction, the respective government can offer real estate tax abatements on improvements made to such facilities and/or structures. The percentage and length of time of these abatements is negotiated by the respective government and property owner. With respect to County funds, none of the abated tax revenue is received during the duration of the abatement. The following are the amounts that would have been received by the respective County funds, for the year ended December 31, 2018, had the CRA's not been established and the improvements still constructed:

	Amount
<b>Governmental Funds:</b>	
General Fund	\$18,872
Developmental Disabilities Board	86,328
ADAMHS Board	28,645
Childrens Services Board	19,059
Narcotics Agency Fund	4,698
Forensic Crime Laboratory Fund	12,313
Senior Citizens Levy Fund	14,336
<i>Total</i>	\$184,251

**NOTE W – SUBSEQUENT EVENTS**

On January 16, 2019, the County issued \$14,095,000 in bond anticipation notes for the construction of an addition to the County Administration Building. The new notes have an interest rate of 3.0 percent and mature on January 16, 2020.

On April 5, 2019, the County issued \$5,800,000 in bond anticipation notes for the construction of roads. The new notes have an interest rate of 3.0 percent and mature on April 2, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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	2018	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset)	0.6109150%	0.6067840%	0.6110080%	0.5777210%	0.5777210%
County's Proportionate Share of the Net Pension Liability (Asset)	\$95,840,719	\$137,790,327	\$105,834,288	\$73,648,319	\$71,984,849
County's Covered-Employee Payroll	\$80,671,885	\$78,343,033	\$75,938,500	\$74,921,308	\$73,442,386
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	118.80%	175.88%	139.37%	98.30%	98.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the Required Supplementary Information.



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

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

	2018	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset)	0.61628600%	0.58763800%	0.63886000%	0.67435600%	0.67435600%
County's Proportionate Share of the Net Pension Liability (Asset)	(\$838,965)	(\$327,062)	(\$310,883)	(\$259,643)	(\$70,761)
County's Covered-Employee Payroll	\$2,521,808	\$2,287,850	\$2,321,758	\$2,465,025	\$2,416,366
County's Proportionate Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	-33.27%	-14.30%	-13.39%	-10.53%	-2.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%	116.55%	116.90%	114.83%	104.56%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the Required Supplementary Information.

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

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

	2018	2017	2016	2015	2014
County's Proportion of the Net Pension Liability (Asset)	0.00077929%	0.00103522%	0.00227256%	0.00322436%	0.00322436%
County's Proportionate Share of the Net Pension Liability (Asset)	\$185,122	\$346,519	\$628,069	\$784,276	\$934,224
County's Covered-Employee Payroll	\$144,321	\$132,600	\$290,057	\$354,785	\$372,310
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	128.27%	261.33%	216.53%	221.06%	250.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the Required Supplementary Information.

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of County Pension Contributions*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Six Years (1)*

	2018	2017	2016	2015	2014	2013
Contractually Required Pension Contribution	\$11,505,750	\$10,487,345	\$9,401,164	\$9,112,620	\$8,990,557	\$9,547,510
Contributions in Relation to the Contractually Required Pension Contribution	(\$11,505,750)	(\$10,487,345)	(\$9,401,164)	(\$9,112,620)	(\$8,990,557)	(\$9,547,510)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0
County Covered Payroll	\$82,183,929	\$80,671,885	\$78,343,033	\$75,938,500	\$74,921,308	\$73,442,386
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

See accompanying notes to the Required Supplementary Information.

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of County Pension Contributions*  
*Ohio Public Employees Retirement System (OPERS) - Combined Plan*  
*Last Six Years (1)*

	2018	2017	2016	2015	2014	2013
Contractually Required Pension Contribution	\$361,003	\$327,835	\$274,542	\$278,611	\$295,803	\$314,128
Contributions in Relation to the Contractually Required Pension Contribution	(\$361,003)	(\$327,835)	(\$274,542)	(\$278,611)	(\$295,803)	(\$314,128)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0
County Covered Payroll	\$2,578,593	\$2,521,808	\$2,287,850	\$2,321,758	\$2,465,025	\$2,416,366
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 available upon request.

See accompanying notes to the Required Supplementary Information.

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of County Pension Contributions*  
*State Teachers Retirement System (STRS)*  
*Last Six Years (1)*

	2018	2017	2016	2015	2014	2013
Contractually Required Pension Contribution	\$15,878	\$20,205	\$18,564	\$40,608	\$46,122	\$48,400
Contributions in Relation to the Contractually Required Pension Contribution	(\$15,878)	(\$20,205)	(\$18,564)	(\$40,608)	(\$46,122)	(\$48,400)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$113,414	\$144,321	\$132,600	\$290,057	\$354,785	\$372,310
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 available upon request.

See accompanying notes to the Required Supplementary Information.

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

*Schedule of the County's Proportionate Share of the Net OPEB Liability  
Ohio Public Employees Retirement System (OPERS)  
Last Two Years (1)*

	2018	2017
County's Proportion of the Net OPEB Liability	0.60082000%	0.59777000%
County's Proportionate Share of the Net OPEB Liability	\$65,244,626	\$60,376,799
County's Covered-Employee Payroll	\$83,193,692	\$80,630,883
County's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	78.42%	74.88%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the Required Supplementary Information.

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

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

	2018	2017
County's Proportion of the Net OPEB Liability	0.00077929%	0.00103522%
County's Proportionate Share of the Net OPEB Liability	\$30,405	\$55,364
County's Covered-Employee Payroll	\$144,321	\$132,600
County's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	21.07%	41.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the Required Supplementary Information.

**LAKE COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of County OPEB Contributions*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Six Years (1)*

	2018	2017	2016	2015	2014	2013
Contractually Required OPEB Contribution	\$0	\$896,735	\$1,612,618	\$1,565,205	\$1,547,727	\$2,275,763
Contributions in Relation to the Contractually Required OPEB Contribution	\$0	(\$896,735)	(\$1,612,618)	(\$1,565,205)	(\$1,547,727)	(\$2,275,763)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$84,762,522	\$83,193,692	\$80,630,883	\$78,260,258	\$77,386,333	\$75,858,752
Contributions as a Percentage of Covered Payroll	0%	1.00%	2.00%	2.00%	2.00%	3.00%

(1) Information prior to 2013 available upon request.

See accompanying notes to the Required Supplementary Information.



**LAKE COUNTY, OHIO**  
*Required Supplementary Information*  
*Schedule of County OPEB Contributions*  
*State Teachers Retirement System (STRS)*  
*Last Six Years (1)*

	2018	2017	2016	2015	2014	2013
Contractually Required OPEB Contribution	\$0	\$0	\$0	\$0	\$3,548	\$3,723
Contributions in Relation to the Contractually Required OPEB Contribution	\$0	\$0	\$0	\$0	(\$3,548)	(\$3,723)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$113,414	\$144,321	\$132,600	\$290,057	\$354,785	\$372,310
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

(1) Information prior to 2013 available upon request.

See accompanying notes to the Required Supplementary Information.

**LAKE COUNTY, OHIO**

*Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018*

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**Pension**

*Ohio Public Employees Retirement System (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2018.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

*State Teachers Retirement System (STRS) of Ohio*

*Changes in benefit terms*: There were no changes in benefit terms from the amounts reported for 2014-2016. For 2017, STRS decreased the Cost of Living Adjustment (COLA) to zero effective July 1, 2017. There were no changes in benefit terms for 2018.

*Changes in assumptions*: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes of assumption for 2018.

**Other Postemployment Benefits (OPEB)**

*Ohio Public Employees Retirement System (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2017-2018.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed through the Ohio Department of Education:</i>				
<u>Nutrition Cluster:</u>				
National School Breakfast Program	10.553	N/A		\$16,228
National School Lunch Program	10.555	N/A		25,827
Total Nutrition Cluster				42,055
<i>Passed through the Ohio Department of Jobs and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSCF118		7,570
		JFSCF119		26,772
		JFSCF518		19,716
		JFSCFB18		618,212
		JFSCFB19		224,514
		JFSCFX18		450
Total - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				897,234
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURAL</b>				<b>939,289</b>
<b>U.S. DEPARTMENT OF DEFENSE/U.S. ARMY CORP OF ENGINEERS</b>				
<i>Direct program:</i>				
Hurricane and Storm Damage Reduction	12.1XX	Section 103 Project		194,058
<b>SUBTOTAL U.S. DEPARTMENT OF DEFENSE/U.S. ARMY CORP OF ENGINEERS</b>				<b>194,058</b>
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>				
<i>Direct programs:</i>				
Community Development Block Grants/Entitlements Grants	14.218	B-16-UC-39-0007	\$24,647	245,803
		B-17-UC-39-0007	138,944	1,013,047
		B-18-UC-39-0007		25,574
Total - Community Development Block Grants/Entitlements Grants			163,591	1,284,424
Shelter Plus Care	14.238	N/A	207,956	207,956
		N/A	251,663	251,663
Total - Shelter Plus Care			459,619	459,619

LAKE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT - (Continued)</u></b>				
<i>Direct Program:</i>				
Home Investment Partnership Program	14.239	M-14-UC-39-0201		\$68,369
		M-16-UC-39-0201	\$1,769	89,917
		M-17-UC-39-0201	40,497	456,184
		M-18-UC-39-0201		13,990
Total - Home Investment Partnership Program			<u>42,266</u>	<u>628,460</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<b><u>665,476</u></b>	<b><u>2,372,503</u></b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<i>Passed Through the Ohio Attorney General's Office:</i>				
Crime Victims Assistance	16.575	2018VOCA109294140		237,197
		2019VOCA132135053		73,870
				<u>311,067</u>
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Violence Against Women Formula Grants	16.588	2017WFVA58211		29,595
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JG-A01-6447		44,000
<i>Passed Through the City of Mansfield Police Department</i>				
Forensic DNA Backlog Reduction Program	16.741	2016-DN-BX-0095		\$34,820
		2017-DN-BX0083		63,611
Total - Forensic DNA Backlog Reduction Program				<u>98,431</u>
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>				
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2017-PC-NFS-7802		10,172
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b><u>493,265</u></b>	

LAKE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Employment Service/Wagner-Peyser Funded Activities	17.207	JFSFES17		\$33,841
	17.207	JFSFES18		10,454
				<u>44,295</u>
Trade Adjustment Assistance - Workers	17.245	JFSFTA16		6,287
	17.245	JFSCTR17		1,653
				<u>7,940</u>
Workforce Investment Act (WIA) Cluster				
WIA Adult Program	17.258	JFSCAF17		25,835
		JFSCAP17		5,080
		JFSCAF18		25,096
		JFSCAF17		166,859
		JFSCAP17		45,720
		JFSCAF18		54,893
		JFSFSW17		4,941
		JFSFSW18		395
Total - WIA Adult Program				<u>328,819</u>
WIA Youth Activities	17.259	JFSCYP16		15,791
		JFSCYP17		15,114
		JFSCYP16		130,256
		JFSCYP17		75,873
Total - WIA Youth Activities				<u>237,034</u>
WIA Dislocated Worker Formula Grants	17.278	JFSCDF17		11,616
		JFSCDP17		5,120
		JFSCDF18		16,835
		JFSCDF17		148,252
		JFSCDP17		46,072
		JFSCDF18		227,024
		JFSCR17		6,890
		JFSCR18		413
Total - WIA Dislocated Worker Formula Grants				<u>462,222</u>
Total Workforce Investment Act (WIA) Cluster				<u>1,028,075</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>				<b><u>1,080,310</u></b>

LAKE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. FEDERAL HIGHWAY ADMINISTRATION</u></b>				
<i>Passed Through the Ohio Department of Transportation:</i>				
Highway Planning and Construction	20.205	N/A		\$1,382,084
<i>Passed Through the Ohio Department of Public Safety</i>				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	STEP-2018-43-00-00-00093-00		3,947
National Priority Safety Programs	20.616	IDEP-2018-43-00-00-00363-00		3,648
Total - Highway Safety Cluster				<u>7,595</u>
<b>TOTAL U.S. FEDERAL HIGHWAY ADMINISTRATION</b>				<b><u>1,389,679</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Special Education Cluster</i>				
Special Education: Grants to States	84.027	070037-6BSF-2017P		68,503
Special Education: Preschool Grants	84.173	070037-PGS1-2017		<u>13,014</u>
Total Special Education Cluster				81,517
<i>Passed Through the Ohio Department of Developmental Disabilities:</i>				
Special Education-Grants for Infants and Families	84.181	N/A	\$41,061	41,061
			55,869	55,869
			94,037	94,037
			75,479	75,479
			33,154	33,154
		N/A	<u>2,849</u>	<u>2,849</u>
Total - Special Education-Grants for Infants and Families			<u>302,449</u>	<u>302,449</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<b><u>383,966</u></b>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed Through the Ohio Department of Alcohol &amp; Drug Addiction Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	\$273,275	\$273,275
		N/A	339,237	339,237
		N/A	31,685	31,685
		N/A	31,674	31,674
Total - Block Grants for Prevention and Treatment of Substance Abuse			675,871	675,871
<i>Passed Through the Ohio Department of Mental Health:</i>				
Projects for Assistance in Transition from Homelessness	93.150	43-13900-PATH-T-16-1579	70,178	70,178
		43-13900-PATH-T-18-0258	54,750	54,750
Total - Projects for Assistance in Transition from Homelessness			124,928	124,928
Block Grants for Community Health Services	93.958	N/A	69,692	69,692
			69,692	69,692
			50,000	50,000
			189,384	189,384
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Promoting Safe and Stable Families	93.556	JFSCMC18		2,737
		JFSCMC19		842
		JFSCMC18		276
		JFSCMC19		84
		JFSCPF18		47,496
		JFSCPF19		5,745
		JFSCPF18		4,537
		JFSCPF19		1,190
		JFSCPF18		4,104
		JFSCPF19		1,066
		JFSCPF18		5,009
		JFSCPF19		1,334
Total - Promoting Safe and Stable Families				74,420

LAKE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - (Continued)</u></b>				
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Temporary Assistance for Needy Families	93.558	JFSCTF18		\$1,790
		JFSCTF17		15,230
		JFSCTF19		13,238
		JFSCTF17		625,659
		JFSCTF19		80,586
		JFSCTF18		87,650
		JFSCTF18		385,371
		JFSCTF19		94,793
		JFSCTF18		1,454,668
		JFSCTF19		143,447
		JFSCTF17		683
		JFSOLS18		51,500
		JFSOLS19		50,500
Total - Temporary Assistance for Needy Families				<u>3,005,115</u>
Child Support Enforcement	93.563	JFSCCS18		1,555,380
		JFSCCS19		626,064
		JFSFCS18I		638
		JFSFCS18I		1,800
Total - Child Support Enforcement				<u>2,183,882</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSCCW18		52,563
		JFSCCW19		16,279
		JFSCCW18		5,344
		JFSCCW19		1,628
Total - Stephanie Tubbs Jones Child Welfare Services Program				<u>75,814</u>
Foster Care Title IV-E	93.658	JFSCFC18		2,160
		JFSCFC19		143
		JFSOLF18		1,419,261
		JFSOLF19		436,583
		JFSCFC18		231,745
		JFSCFC19		82,093
Total - Foster Care Title IV-E				<u>2,171,985</u>



LAKE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - (Continued)</u></b>				
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Adoption Assistance	93.659	JFSCAA18		\$2,444
		JFSCAA19		387
		JFSCAA18		474,690
		JFSCAA19		186,164
		N/A		1,600
Total - Adoption Assistance				<u>665,285</u>
Chaffe Foster Care Independence Program	93.674	JFSCIL18		33,818
		JFSCIL19		15,625
Total - Chaffe Foster Care Independence Program				<u>49,443</u>
<i>Passed Through the Ohio Department of Mental Health:</i>				
Social Services Block Grant	93.667	N/A	\$68,433	68,433
		N/A	59,531	59,531
<i>Passed Through the Ohio Department of Developmental Disabilities (DD):</i>				
Social Services Block Grant	93.667	N/A		117,709
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Social Services Block Grant	93.667	JFSCSS18		290,853
		JFSCSS19		71,100
		JFSCTX18		654,787
		JFSCTX19		250,000
Total - Social Services Block Grant			<u>127,964</u>	<u>1,512,413</u>
<i>Passed Through The Ohio Department of Developmental Disabilities (DD):</i>				
Medical Assistance Program	93.778	N/A		742,111

LAKE COUNTY

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

FEDERAL GRANTOR/ Pass-Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - (Continued)</u></b>				
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>				
Medical Assistance Program	93.778	MCDFMT18		\$211,678
		MCDFMT19		72,581
		MCDFMT18		92,203
		MCDFMT19		19,958
		MCDFMT18		801,512
		MCDFMT19		310,565
Total - Medical Assistance Program				<u>2,250,608</u>
<i>Passed Through the Ohio Department of Mental Health and Addiction Services:</i>				
State Targeted Response to the Opioid Crisis Grants	93.788	N/A	\$179,895	179,895
		N/A	136,970	136,970
			<u>316,865</u>	<u>316,865</u>
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>				
Child Care and Development Block Grant	93.575	JFSCCD18		29,118
		JFSCCD19		14,963
		JFSCCD18		68,178
		JFSCCD19		79,830
Total - Child Care and Development Block Grant				<u>192,089</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b><u>1,295,628</u></b>	<b><u>13,488,102</u></b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>				
<i>Passed Through the Ohio Emergency Management Agency:</i>				
Emergency Management Performance Grant	97.042	EMW2017EP00006S01		95,702
Homeland Security Grant Program	97.067	EMW2016SS00104S01		25,138
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>				<b><u>120,840</u></b>
<b>TOTAL FEDERAL AWARDS</b>			<b><u>\$2,263,553</u></b>	<b><u>\$20,462,012</u></b>

The accompanying note is an integral part of this schedule

**LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of Lake County, Ohio (the County) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The County has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - SUBRECIPIENTS**

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

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

**NOTE E - CHILD NUTRITION CLUSTER**

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

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

The current cash balance on the County's local program income account as of December 31, 2018 is \$7,633.

**NOTE G - MATCHING REQUIREMENTS**

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

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# OHIO AUDITOR OF STATE KEITH FABER



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615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
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NortheastRegion@ohioauditor.gov

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

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 24, 2019, wherein we noted the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

September 24, 2019

# OHIO AUDITOR OF STATE KEITH FABER



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Cleveland, Ohio 44113-1801  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

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

We have audited Lake County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Lake County's major federal programs for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

The County's basic financial statements include the operations of the Lake County Ohio Port and Economic Development Authority which expended \$135,539 in federal awards which is not included in the County's Federal Awards Expenditures Schedule during the year ended December 31, 2018. Our audit, described below, did not include the operations of the Lake County Ohio Port and Economic Development Authority because the component unit is legally separate from the primary government which this report addresses and because it expended less than \$750,000 of Federal Awards for the year ended December 31, 2018, it was not subject to Uniform Guidance.

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

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

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

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

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

### ***Opinion on each Major Federal Program***

In our opinion, Lake County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2018.

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

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

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



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

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 24, 2019

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**LAKE COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2018**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ Community Development Block Grants/Entitlement Grants, CFDA 14.218;</li> <li>➤ Highway Planning and Construction, CFDA 20.205;</li> <li>➤ Special Education-Grants for Infants and Families, CFDA 84.181;</li> <li>➤ Temporary Assistance for Needy Families, CFDA 93.558;</li> <li>➤ Child Care and Development Block Grant, CFDA 93.575.</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

None

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

None

OHIO AUDITOR OF STATE  
**KEITH FABER**



**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 8, 2019**