



**Mary Taylor, CPA**  
Auditor of State



**LAKE COUNTY  
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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Ohio (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Deepwood Industries Incorporated (the Workshop), one of the County's discretely presented component units. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Deepwood Industries Incorporated on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, MR & DD and ADAMHS Board Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management Discussion's and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

June 25, 2010

# Lake County, Ohio

*Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
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, 2009. 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 2009 are as follows:

In total, net assets decreased \$4,391,337. Net assets of governmental activities decreased \$8,073,818, which represents a 3.7 percent decrease from 2008. Net assets of business-type activities increased \$3,682,481 or 2.1 percent from 2008.

General revenues accounted for \$80,091,212 in revenue or 37.1 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$136,078,689 or 62.9 percent of total revenues of \$216,169,901.

Total assets of governmental activities decreased by \$9,705,785, while total assets of business-type activities increased by \$5,945,320.

The County had \$184,349,493 in expenses related to governmental activities; only \$96,578,413 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$79,647,262 were not sufficient to offset the remainder of the total expenses, thus resulting in the net asset decrease disclosed above.

The total of the County's long-term and short-term debt increased by \$2,267,669 during 2009.

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 Assets* and *Statement of Activities* provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what 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 Assets 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 2009?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the County's net assets and the change in those assets. This change in net assets 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 Assets 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 our Water, Wastewater and Solid Waste Districts as well as all capital expenses associated with these facilities.

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- **Component Units** – The County includes financial data of Deepwood Industries, Inc. (the Workshop) and the Lake County Port Authority (the Port Authority). The Workshop is a legally separate, non-profit organization served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Lake County Board of Mental Retardation, provides a comprehensive program of services, including employment for mentally retarded and 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 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 Mental Retardation and Developmental Disabilities Board Fund (MR & DD Board), the Alcohol, Drug Addiction and Mental Health Services Board Fund (ADAMHS Board) and the Special Assessment Debt Service Fund.

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

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

# Lake County, Ohio

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governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 20-26 of this report.

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central purchasing, mailroom, and vehicle maintenance departments as well as for its self-insurance programs for prescription and dental coverage. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the County-wide financial statements. The proprietary fund financial statements can be found on pages 27-31 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 32 of this report.

***Notes to the Financial Statements:*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-83 of this report.

# Lake County, Ohio

*Management's Discussion and Analysis  
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## Government-wide Financial Analysis

The following table provides a summary of the County's net assets for 2009 compared to 2008:

Table 1  
***Net Assets***

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$ 162,294,364	\$ 173,846,071	\$ 42,834,005	\$ 36,321,501	\$ 205,128,369	\$ 210,167,572
Capital Assets	<u>144,029,723</u>	<u>142,183,801</u>	<u>195,040,140</u>	<u>195,607,324</u>	<u>339,069,863</u>	<u>337,791,125</u>
Total Assets	<u>306,324,087</u>	<u>316,029,872</u>	<u>237,874,145</u>	<u>231,928,825</u>	<u>544,198,232</u>	<u>547,958,697</u>
<b>Liabilities</b>						
Long Term Liabilities	40,356,303	42,563,288	46,065,778	52,285,122	86,422,081	94,848,410
Other Liabilities	<u>53,216,305</u>	<u>52,641,287</u>	<u>15,636,505</u>	<u>7,154,322</u>	<u>68,852,810</u>	<u>59,795,609</u>
Total Liabilities	<u>93,572,608</u>	<u>95,204,575</u>	<u>61,702,283</u>	<u>59,439,444</u>	<u>155,274,891</u>	<u>154,644,019</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	121,421,050	120,074,375	158,162,644	159,361,941	279,583,694	279,436,316
Restricted for:						
Debt Service	1,718,600	4,257,947			1,718,600	4,257,947
Capital Projects	5,691,748	9,263,300			5,691,748	9,263,300
Other Purposes	59,746,523	62,319,552			59,746,523	62,319,552
Unrestricted	<u>24,173,558</u>	<u>24,910,123</u>	<u>18,009,218</u>	<u>13,127,440</u>	<u>42,182,776</u>	<u>38,037,563</u>
<b>Total Net Assets</b>	<u>\$ 212,751,479</u>	<u>\$ 220,825,297</u>	<u>\$ 176,171,862</u>	<u>\$ 172,489,381</u>	<u>\$ 388,923,341</u>	<u>\$ 393,314,678</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$388,923,341 (\$212,751,479 in governmental activities and \$176,171,862 in business type activities) as of December 31, 2009.

## Lake County, Ohio

*Management's Discussion and Analysis  
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A large portion of the County's net assets (71.9 percent) reflect its investment in capital assets (e.g., land, building, infrastructure and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

An additional portion of net assets, \$67,156,871 (17.3 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of \$42,182,776 (10.8 percent), of unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2009, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities. The County also reported positive balances in all categories of net assets in 2008.

Total assets decreased \$3,760,465, which represented a 0.7 percent decrease over 2008. Total assets of governmental activities decreased \$9.7 million primarily due to a \$7.3 million decrease in equity in pooled cash and cash equivalents, a \$1.7 million decrease in taxes receivable and a \$1.6 million decrease in due from other governments. Total assets of business-type activities increased \$5.9 million primarily due to a \$6.7 million increase in equity in pooled cash and cash equivalents.

Table 2 shows the changes in net assets for the year ended December 31, 2009.

# Lake County, Ohio

## Management's Discussion and Analysis For the Year Ended December 31, 2009 Unaudited

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Program Revenues:</b>						
Charges for Services	\$19,975,198	\$22,293,351	\$36,751,913	\$39,299,833	\$56,727,111	\$61,593,184
Operating Grants and Contributions	69,676,714	66,399,943	0	0	69,676,714	66,399,943
Capital Grant and Contributions	6,926,501	6,738,465	2,748,363	3,645,713	9,674,864	10,384,178
<i>Total Program Revenues</i>	96,578,413	95,431,759	39,500,276	42,945,546	136,078,689	138,377,305
<b>General Revenues:</b>						
Property Taxes	48,272,763	47,179,482	0	0	48,272,763	47,179,482
Sales Tax	14,221,564	15,453,092	0	0	14,221,564	15,453,092
Conveyance Tax	2,143,785	2,775,630	0	0	2,143,785	2,775,630
Lodging Tax	623,021	801,045	0	0	623,021	801,045
Grants and Entitlements not Restricted	3,582,873	3,756,351	0	0	3,582,873	3,756,351
Interest	2,580,845	6,183,840	2,060	30,022	2,582,905	6,213,862
Miscellaneous	8,222,411	9,420,967	441,890	748,762	8,664,301	10,169,729
<i>Total General Revenues</i>	79,647,262	85,570,407	443,950	778,784	80,091,212	86,349,191
<i>Total Revenues</i>	176,225,675	181,002,166	39,944,226	43,724,330	216,169,901	224,726,496
<b>Program Expenses</b>						
General Government	18,704,468	20,106,955	0	0	18,704,468	20,106,955
Judicial and Public Safety	45,919,970	48,973,479	0	0	45,919,970	48,973,479
Public Works	10,802,999	13,905,059	0	0	10,802,999	13,905,059
Human Services	80,723,956	80,562,772	0	0	80,723,956	80,562,772
Health	24,364,478	24,988,729	0	0	24,364,478	24,988,729
Community & Econ. Development	2,347,860	2,601,707	0	0	2,347,860	2,601,707
Interest and Fiscal Charges	1,485,762	1,554,438	0	0	1,485,762	1,554,438
Water District	0	0	13,268,896	13,911,576	13,268,896	13,911,576
Wastewater District	0	0	16,253,771	17,214,933	16,253,771	17,214,933
Solid Waste District	0	0	6,689,078	6,453,193	6,689,078	6,453,193
<i>Total Program Expenses</i>	184,349,493	192,693,139	36,211,745	37,579,702	220,561,238	230,272,841
Increase (Decrease) in Net						
Assets Before Transfers	(8,123,818)	(11,690,973)	3,732,481	6,144,628	(4,391,337)	(5,546,345)
Transfers	50,000	50,000	(50,000)	(50,000)	0	0
Change in Net Assets	(8,073,818)	(11,640,973)	3,682,481	6,094,628	(4,391,337)	(5,546,345)
Net Assets - January 1	220,825,297	232,466,270	172,489,381	166,394,753	393,314,678	398,861,023
Net Assets - December 31	\$212,751,479	\$220,825,297	\$176,171,862	\$172,489,381	\$388,923,341	\$393,314,678

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Total governmental activities expenses decreased from \$192,693,139 in 2008 to \$184,349,493 in 2009, as most programs realized reduced expenses due to budget cutbacks resulting from decreases in funding sources. Of the total \$184 million in governmental activities expenses, \$19,975,198 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 MR & DD Board and the Childrens Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions increased from \$66,399,943 in 2008 to \$69,676,714 in 2009, primarily because of increases in subsidies provided by the State and Federal governments to the MR & DD Board and the Job and Family Services Department. Property taxes increased by 2.3 percent as compared to 2008 due to an increase in one of the two levies for ADAMHS Board. In 2008, voters approved an increase in millage on a levy from 0.3 mills to 0.7 mills, which first became effective in 2009. Sales taxes declined \$1.2 million due to the struggling nationwide economy. Similarly, real estate conveyance taxes decreased significantly, by 22.8 percent, due to the continued nationwide slump in the real estate sales market. The most significant decrease in revenue was in interest revenue which decreased by \$3,602,995, a 58.3 percent decrease. This reflects the nationwide decrease in investment interest rates during 2009 as compared to several years ago. Charges for services to users in the business-type activities amounted to \$36,751,913 and an additional \$2,748,363 was received during the year for grants and contributions for capital expenses. These two revenue sources more than offset the \$36,211,745 in operating expenses for business-type activities.

The human services program is the largest program and accounted for \$80,723,956 of expenses for governmental activities, or 43.8 percent of that total. The activity of the County's Mental Retardation and Developmental Disabilities Board (the MR & DD Board) comprises more than half of the expenditure total for this program. The human services program was the only program which had increased expenses in 2009 as compared to 2008, albeit a very slight increase of 0.2 percent. The judicial and public safety program accounts for the activities of the sheriff, prosecuting attorney and the court system. 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. Most of the decreases in program expenses in 2009 were due to reductions in federal and state funding and budget reductions for General Fund departments.

# Lake County, Ohio

*Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited*

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

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

*Governmental Funds:* The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved 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 \$86,686,910. \$77,030,057 of this total amount constitutes unreserved fund balance, which is available for appropriation at the government's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is reserved 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, unreserved fund balance of the General Fund was \$15,033,532 while the total fund balance reached \$19,292,491. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 30.0 percent of total General Fund expenditures, while total fund balance represents 38.5 percent of that same amount.

The fund balance of the County's General Fund decreased by \$5.4 million during the current fiscal year. Overall General Fund revenues decreased in 2009 by \$4.7 million as compared to the previous year. As previously disclosed, the primary reasons for this decrease are the decreases in investment earnings, sales taxes and conveyance taxes. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$5.1 million during 2009.

With respect to the fund balances of the other major governmental funds, the Mental Retardation and Developmental Disabilities Board Fund decreased by \$3.2 million and the Alcohol, Drug Addiction and Mental Health Services Board Fund decreased by \$2.2 million as program expenditures exceeded local, state and federal support funding. The fund balance of the Special Assessment Debt Service Fund decreased slightly, in the amount of \$12,223.

*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 assets at the end of the year of \$8,553,205, which was a 20.4 percent increase

# Lake County, Ohio

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from 2008. Unrestricted net assets for the Wastewater Fund amounted to \$16,401,314 which was an increase of \$4.5 million as compared to 2008. The increase in both funds was primarily due to increases in cash and cash equivalents in both funds resulting from reduced long-term debt principal and interest payments as compared to 2008. The Solid Waste Fund's unrestricted net assets amounted to (\$6,945,301) which is due to the recognition of a long-term liability of the closure and post-closure costs of the County's landfill, as required by the Ohio Environmental Protection Agency. The County will reduce this deficit on an annual basis as it reduces the long-term liability for the landfill closure and post-closure costs over the remaining life of the landfill. Operating revenues for all proprietary funds decreased from \$39,999,005 to \$37,171,666, or by 7.1 percent, in 2009 as compared to 2008 while operating expenses decreased by \$608,667 or 1.7 percent. This is primarily due to reduced consumption resulting in reduced utility collections and a reduction in permits and tap-in fees due to the downturn in the economy and the construction industry.

## **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 decreased by \$502,037 as compared to the original budget for a total decrease of 1.0 percent, primarily due to a decrease in the estimate for sales tax revenue. Actual revenues received were \$132,206 higher, or 0.3 percent, than the final certification. Final budgeted expenditures increased by \$177,657 from the original budget. However, actual expenditures were \$1,013,242 less than appropriations, which amounted to a 2.0 percent reduction from the final expenditure budget. In fact, actual expenditures were 1.6 percent less than the original budgeted amounts. The decrease in the actual versus final budget amounts was primarily due to expenditures in the general government and judicial and public safety functions, the two largest functions of the General Fund, not reaching the appropriated level of the final budgeted expenditures. The decrease in actual expenditures as compared to the final budget amounts and to the original budget amounts, as well as a 6.5 percent decrease in expenditures as compared to 2008, reflect the cooperation between the General Fund county departments and the County Commissioners in not only providing a balanced budget on an annual basis, but also exercising strict control over General Fund spending practices.

## **Capital Assets and Debt Administration**

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

Table 3 shows 2009 values compared to 2008.

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Table 3

### Capital Assets at December 31

(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
	Land	\$ 3,522,603	\$ 3,522,603	\$ 4,491,646	\$ 4,491,646	\$ 8,014,249
Construction in Progress	29,665,973	27,233,444	18,264,555	15,608,466	47,930,528	42,841,910
Land Improvements	206,927	221,028	159,651	157,280	366,578	378,308
Building & Other Structures	44,005,174	43,995,828			44,005,174	43,995,828
Furniture and Equipment	8,488,209	10,039,098	1,686,892	1,793,833	10,175,101	11,832,931
Infrastructure	58,140,837	57,171,800			58,140,837	57,171,800
Utility Plant in Service			170,437,396	173,556,099	170,437,396	173,556,099
<b>Total Capital Assets</b>	<b>\$ 144,029,723</b>	<b>\$ 142,183,801</b>	<b>\$ 195,040,140</b>	<b>\$ 195,607,324</b>	<b>\$ 339,069,863</b>	<b>\$ 337,791,125</b>

The County's investment in capital assets for its governmental and business type activities as of December 31, 2009, amount to \$279,583,694 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, equipment and machinery, roads, highways, bridges, utility service lines and related operating facilities and the County landfill. Utility Plant in Service in the business-type activities includes all utility buildings and service lines associated with such operations.

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

- Total additions to construction-in-progress for governmental activities amounted to \$4.6 million in 2009.
- The purchase of \$0.2 million in vehicles for the County Engineers department for use in maintenance and repairs of the County's roads and bridges.
- The completion of the Detention Center roof replacement for the County Sheriff's Department totaling \$0.3 million.
- The purchase of \$0.2 million in miscellaneous building improvements for the Board of Mental Retardation and Developmental Disabilities.
- The completion of \$3.8 million in roads and bridges infrastructure improvements.
- The completion of \$4.9 million in infrastructure projects with an additional \$18.3 million remaining in construction in progress for business-type activities.

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

## Lake County, Ohio

*Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited*

### **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	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 18,992,000	\$ 21,685,000	\$ 1,947,150	\$ 2,665,950	\$ 20,939,150	\$ 24,350,950
Special Assessment Bonds	8,855,850	8,891,050	0	0	8,855,850	8,891,050
OWDA Loans	0	0	24,238,884	30,653,018	24,238,884	30,653,018
Other Long-term Liabilities	127,500	142,500	405,140	425,352	532,640	567,852
Unamortized Premium on Debt	583,330	616,919	12,895	25,308	596,225	642,227
Landfill Closure & Postclosure	0	0	17,251,468	16,436,193	17,251,468	16,436,193
Compensated Absences	12,380,953	11,844,738	2,223,136	2,104,609	14,604,089	13,949,347
	<u>\$ 40,939,633</u>	<u>\$ 43,180,207</u>	<u>\$ 46,078,673</u>	<u>\$ 52,310,430</u>	<u>\$ 87,018,306</u>	<u>\$ 95,490,637</u>

Of the debt outstanding at December 31, 2009, the general obligation bonds 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, as are the Other Long-term Liabilities. 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 percent of expenses for governmental activities.

The County's governmental long-term general obligations decreased by \$2,240,574, or 5.2 percent, in 2009. The County issued \$540,000 in special assessment bonds during the year. The long-term debt for business-type activities decreased by \$6,231,757, or 11.9 percent, during 2009. The County did not issue any new long-term bonded debt during 2009 for business-type activities, however an additional \$0.8 million debt was recorded for the landfill closure and post-closure costs. The County has \$3.0 million in short-term notes outstanding as of December 31, 2009 for the purchase and renovation of a building to house the County's vehicle maintenance operations and \$10.3 million in short-term notes for various utility improvement projects for business-type activities.

# Lake County, Ohio

*Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited*

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The County maintains an "Aa1" credit rating from Moody's Investor Services, Inc. The overall debt margin at December 31, 2009 was \$147.6 million with an unvoted total debt margin of \$47.1 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, during 2009, the unreserved fund balance in the General Fund decreased to \$15,033,532. This decrease is a direct result of the downturn in the national economy which has been ongoing for several years. Significant revenue decreases in investment earnings due to low interest rates, conveyance taxes on the transfers of real property due to the poor housing market, and a decrease in the County's sales tax all have contributed to the reduction in the fund balance.

The revenue structure of the General Fund is balanced enough so that the operations of the County are not overly dependent on any specific revenue source. The real property tax revenues of the General Fund are derived entirely from 2.1 mills of inside millage (unvoted millage). While personal property tax losses have already occurred in previous years as the result of the State legislature eliminating personal property tax on businesses, the State of Ohio is currently reimbursing political subdivisions for those losses. However, those reimbursements will begin to be phased out in two years and the current reimbursement for electric deregulation will also begin to be reduced in that time frame. This will place an additional burden on the General Fund budget.

The diversified revenue stream has also provided an equitable means of generating revenue necessary for the operations of the offices administered by elected officials and other County departments. While the County still has a healthy General Fund balance despite the drop in 2009, the County Commissioners and the County Budget Director are continually working with County departments in monitoring appropriations/expenditures annually. Due to the stagnation in national economy and outside funding cutbacks in recent years, the Commissioners and the department heads have worked diligently in attempting to keep expenses in line with their revenue sources. Unprecedented reductions, in the same year, in sales taxes, real estate conveyance taxes and interest income have all contributed to some strenuous budgetary times. The Commissioners have instituted a hiring freeze, have frozen wages for non-bargaining unit employees for 2009 and 2010 and have instituted "across-the-board" General Fund budget cuts in the last several years. The Commissioners are stringently monitoring all expenses and are curtailing travel and equipment purchases unless absolutely needed.

The County's portion of federal and state based revenue has also been affected by the economic conditions. The State Ohio has experienced significant revenue losses and, as a result, is experiencing cutbacks in state agencies and allocations to county and other local governments. These reduced federal and state funding/reimbursements for various programs have, in some

## Lake County, Ohio

*Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
Unaudited*

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cases, resulted in additional pressure on the General Fund balance, as well as several other County funds.

As previously stated, the County's returns on investments suffered significantly in 2009 due to the extremely low investment interest rates that have affected investors nationwide. Interest on investments, which peaked at \$9.0 million in 2006, dropped down to \$2.6 million in 2009. It is already evident that the returns on the 2010 investment fiscal year are not showing any signs of significant improvement, if any at all. While the County has suffered from significantly reduced interest earnings on investments in recent years as compared to the previous decade, the County Commissioners have taken advantage of the market in regards to the County's recent debt issuances. The low market rates have allowed the Commissioners to obtain very low interest rates on both short-term and long-term borrowing to finance capital improvements to buildings and infrastructure.

Inflationary trends for the County fared favorably to national and state indices, but are still not very encouraging due to the state of the national economy. The unemployment rate for the County at the end of 2009 was 7.9 percent, which increased from 5.8 percent a year ago. The State average was 10.9 percent and the Federal rate was 10.0 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio, including some surrounding counties who are facing significant financial hardships and budget reductions. While sales tax revenue decreased in 2009, the County still fared much better than most other Ohio counties, some of which have experienced much more significant downturns in recent years. The key factor is the County's large retail market and its diversified commercial and industrial economic base. Residential new construction continued to drop significantly in 2009, as it has in the last few years, which again is due to the national economic condition and the poor real estate market. The County is fortunate to have a fairly large amount of undeveloped land in the eastern and southern portions of the County which can hopefully house future new development once the economy improves.

### **Requests for Information**

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

# LAKE COUNTY, OHIO

## STATEMENT OF NET ASSETS

DECEMBER 31, 2009

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	WORKSHOP	PORT AUTHORITY
<b>ASSETS:</b>					
Equity in pooled cash and cash equivalents	\$ 81,336,329	\$ 32,702,112	\$ 114,038,441	\$ 554,697	\$ 338,794
Receivables:					
Taxes	46,722,318		46,722,318		
Accounts	600,204	5,601,088	6,201,292	46,574	128,640
Unbilled accounts		4,068,183	4,068,183		
Other receivables			0		3,186
Special assessments	13,217,395		13,217,395		
Accrued interest	509,667		509,667		
Due from other governments	16,951,035		16,951,035		
Materials and supplies inventory	1,165,424	1,551,629	2,717,053	4,392	
Internal balances	1,181,289	(1,181,289)	0		
Prepaid items	292,558	60,476	353,034	12,207	
Unamortized bond issuance costs	223,988	31,806	255,794		
Unamortized loss on refunded bonds	94,157		94,157		
Nondepreciable capital assets	33,188,576	22,756,201	55,944,777		
Depreciable capital assets, net	110,841,147	172,283,939	283,125,086	17,557	
<b>TOTAL ASSETS</b>	<b>\$ 306,324,087</b>	<b>\$ 237,874,145</b>	<b>\$ 544,198,232</b>	<b>\$ 635,427</b>	<b>\$ 470,620</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,330,024	\$ 1,433,030	\$ 5,763,054	\$ 7,573	\$ 27,980
Accrued wages and benefits	2,803,682	341,915	3,145,597	28,616	6,411
Unearned revenue	40,386,877	2,132,049	42,518,926		
Accrued interest payable	161,230	69,340	230,570		
Due to other governments	1,759,166	1,054,016	2,813,182	830	
Claims payable	191,996		191,996		
Customer deposits		319,833	319,833		
Unamortized premium on debt issue	583,330	12,895	596,225		
Notes payable	3,000,000	10,273,427	13,273,427		
Long-term liabilities					
Due within one year	4,000,150	4,299,811	8,299,961		
Due in more than one year	36,356,153	41,765,967	78,122,120		
<b>TOTAL LIABILITIES</b>	<b>93,572,608</b>	<b>61,702,283</b>	<b>155,274,891</b>	<b>37,019</b>	<b>34,391</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	121,421,050	158,162,644	279,583,694	17,557	
Restricted for:					
Public assistance/human services	22,722,834		22,722,834		
Roads and bridges	12,213,182		12,213,182		
Health programs	5,842,129		5,842,129		
Judicial/public safety grants/programs	14,188,082		14,188,082		
Economic development grants	1,169,446		1,169,446		
Debt service	1,718,600		1,718,600		
Capital projects	5,691,748		5,691,748		
Other purposes	3,610,850		3,610,850	7,854	55,632
Unrestricted	24,173,558	18,009,218	42,182,776	572,997	380,597
<b>TOTAL NET ASSETS</b>	<b>\$ 212,751,479</b>	<b>\$ 176,171,862</b>	<b>\$ 388,923,341</b>	<b>\$ 598,408</b>	<b>\$ 436,229</b>

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

# LAKE COUNTY, OHIO

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES AND OPERATING ASSESSMENTS	OPERATING GRANTS CONTRIBUTIONS AND INTEREST	CAPITAL GRANTS AND CONTRIBUTIONS
<i>PRIMARY GOVERNMENT</i>				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 18,704,468	\$ 8,200,765	\$ 1,815,223	\$ 10,191
Judicial and public safety	45,919,970	6,088,938	3,227,309	3,092,878
Public works	10,802,999	3,481,222	5,766,719	2,495,813
Human services	80,723,956	1,600,247	45,029,072	43,043
Health	24,364,478	604,026	11,965,411	0
Community and economic development	2,347,860		1,872,980	1,284,576
Interest and fiscal charges	1,485,762			
<i>Total Governmental Activities</i>	<u>184,349,493</u>	<u>19,975,198</u>	<u>69,676,714</u>	<u>6,926,501</u>
BUSINESS-TYPE ACTIVITIES:				
Water	13,268,896	16,468,812		787,378
Wastewater	16,253,771	15,027,415		1,960,985
Solid Waste	6,689,078	5,255,686		
<i>Total Business-Type Activities</i>	<u>36,211,745</u>	<u>36,751,913</u>	<u>0</u>	<u>2,748,363</u>
<i>Total Primary Government</i>	<u>\$ 220,561,238</u>	<u>\$ 56,727,111</u>	<u>\$ 69,676,714</u>	<u>\$ 9,674,864</u>
<i>COMPONENT UNITS</i>				
Workshop	\$ 587,496	\$ 489,820	\$ 73,145	\$ 0
Port Authority	\$ 789,255	\$ 287,291	\$ 531,549	\$

### General Revenues

Property Taxes Levied For:

General Purposes

Mental Retardation

Mental Health

Childrens Services

Narcotics Agency

Forensic Crime Laboratory

Senior Citizens Services

Sales Tax Levied For General Purposes

Conveyance Tax Levied For General Purposes

Lodging Tax Levied For Specific Purposes

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

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

**NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS**

PRIMARY GOVERNMENT			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	WORKSHOP	PORT AUTHORITY
\$ (8,678,289)	\$	\$ (8,678,289)	\$	\$
(33,510,845)		(33,510,845)		
940,755		940,755		
(34,051,594)		(34,051,594)		
(11,795,041)		(11,795,041)		
809,696		809,696		
(1,485,762)		(1,485,762)		
<u>(87,771,080)</u>	<u>0</u>	<u>(87,771,080)</u>	<u>0</u>	<u>0</u>
	3,987,294	3,987,294		
	734,629	734,629		
	<u>(1,433,392)</u>	<u>(1,433,392)</u>		
<u>0</u>	<u>3,288,531</u>	<u>3,288,531</u>	<u>0</u>	<u>0</u>
<u>(87,771,080)</u>	<u>3,288,531</u>	<u>(84,482,549)</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(24,531)</u>	
<u>0</u>	<u>0</u>	<u>0</u>		<u>29,585</u>
12,682,806		12,682,806		
18,566,343		18,566,343		
9,208,133		9,208,133		
3,034,590		3,034,590		
1,069,966		1,069,966		
1,305,590		1,305,590		
2,405,335		2,405,335		
14,221,564		14,221,564		
2,143,785		2,143,785		
623,021		623,021		
3,582,873		3,582,873		
2,580,845	2,060	2,582,905	14,798	30
8,222,411	441,890	8,664,301		
<u>79,647,262</u>	<u>443,950</u>	<u>80,091,212</u>	<u>14,798</u>	<u>30</u>
<u>50,000</u>	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>79,697,262</u>	<u>393,950</u>	<u>80,091,212</u>	<u>14,798</u>	<u>30</u>
<u>(8,073,818)</u>	<u>3,682,481</u>	<u>(4,391,337)</u>	<u>(9,733)</u>	<u>29,615</u>
<u>220,825,297</u>	<u>172,489,381</u>	<u>393,314,678</u>	<u>608,141</u>	<u>406,614</u>
<u>\$ 212,751,479</u>	<u>\$ 176,171,862</u>	<u>\$ 388,923,341</u>	<u>\$ 598,408</u>	<u>\$ 436,229</u>

# LAKE COUNTY, OHIO

## BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2009

	GENERAL FUND	MR & DD BOARD	ADAMHS BOARD	SPECIAL ASSESSMENT DEBT SERVICE	OTHER GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Equity in pooled cash and cash equivalents	\$ 16,916,384	\$ 9,357,142	\$ 4,040,974	\$ 1,681,445	\$ 48,136,243
Receivables:					
Taxes	11,709,287	18,468,645	8,902,705		7,641,681
Accounts	253,374	13,864	120		332,719
Special assessments				11,331,154	1,886,241
Accrued interest	507,227				2,440
Due from other funds	1,011,141				321,664
Due from other governments	3,611,674	1,834,643	2,631,176		8,860,017
Materials and supplies inventory					1,090,407
Interfund receivable	400,526				440,000
Prepaid items	214,311	38,401	11,877		25,551
<b>TOTAL ASSETS</b>	<b>\$ 34,623,924</b>	<b>\$ 29,712,695</b>	<b>\$ 15,586,852</b>	<b>\$ 13,012,599</b>	<b>\$ 68,736,963</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 645,405	\$ 579,057	\$ 1,112,140	\$	\$ 1,912,795
Accrued wages and benefits	1,108,005	932,400	18,015		718,479
Deferred revenue	12,671,952	18,468,645	8,902,705	10,905,489	11,181,745
Due to other funds	95,169	3,654	161		143,668
Due to other governments	810,902	407,332	11,410		516,469
Interfund payable					840,526
Notes payable					3,000,000
<b>TOTAL LIABILITIES</b>	<b>15,331,433</b>	<b>20,391,088</b>	<b>10,044,431</b>	<b>10,905,489</b>	<b>18,313,682</b>
<b>FUND BALANCES</b>					
Reserved for encumbrances	147,558	172,268	64,019		1,865,869
Reserved for inventory					1,090,407
Reserved for prepaid expenditures	214,311	38,401	11,877		25,551
Reserved for debt service				2,107,110	
Reserved for central communications	3,078,956				
Reserved for interfund receivables	400,526				440,000
Unreserved, Designated for claimants	417,608				
Unreserved, Undesignated, Reported in:					
General Fund	15,033,532				
Special Revenue Funds		9,110,938	5,466,525		41,851,001
Capital Project Funds					5,150,453
<b>TOTAL FUND BALANCES</b>	<b>19,292,491</b>	<b>9,321,607</b>	<b>5,542,421</b>	<b>2,107,110</b>	<b>50,423,281</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 34,623,924</b>	<b>\$ 29,712,695</b>	<b>\$ 15,586,852</b>	<b>\$ 13,012,599</b>	<b>\$ 68,736,963</b>

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

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2009*

**TOTAL  
GOVERNMENTAL  
FUNDS**

	<b>Total Governmental Fund Balances</b>	<b>\$ 86,686,910</b>																												
<p>\$ 80,132,188</p> <p>46,722,318</p> <p>600,077</p> <p>13,217,395</p> <p>509,667</p> <p>1,332,805</p> <p>16,937,510</p> <p>1,090,407</p> <p>840,526</p> <p>290,140</p> <hr/> <p>\$ 161,673,033</p>	<p><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></p> <p>Capital assets used in governmental activities are not financial resources and therefore not reported in the funds 144,029,723</p> <p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Special Assessments</td> <td style="text-align: right;">11,331,154</td> </tr> <tr> <td style="padding-left: 20px;">Property Taxes</td> <td style="text-align: right;">3,620,358</td> </tr> <tr> <td style="padding-left: 20px;">Intergovernmental</td> <td style="text-align: right;">5,292,997</td> </tr> <tr> <td style="padding-left: 20px;">Sales Tax</td> <td style="text-align: right;"><u>1,499,150</u></td> </tr> </table> <p style="text-align: right;">Total 21,743,659</p> <p>Internal service funds are used by management to charge the costs of materials, supplies, mailroom services, vehicle maintenance and repair services and insurances to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Net Assets</td> <td style="text-align: right;">897,501</td> </tr> <tr> <td style="padding-left: 20px;">Capital Assets</td> <td style="text-align: right;">(44,862)</td> </tr> <tr> <td style="padding-left: 20px;">Compensated Absences</td> <td style="text-align: right;"><u>221,266</u></td> </tr> </table> <p style="text-align: right;">Total 1,073,905</p> <p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (161,230)</p> <p>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.</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Bond Issuance Costs</td> <td style="text-align: right;">223,988</td> </tr> <tr> <td style="padding-left: 20px;">Unamortized Loss On Refunded Bonds</td> <td style="text-align: right;"><u>94,157</u></td> </tr> </table> <p style="text-align: right;">Total 318,145</p> <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">General Obligation Bonds</td> <td style="text-align: right;">(18,992,000)</td> </tr> <tr> <td style="padding-left: 20px;">Special Assessment Bonds</td> <td style="text-align: right;">(8,855,850)</td> </tr> <tr> <td style="padding-left: 20px;">Unamortized Premium on Bond</td> <td style="text-align: right;">(583,330)</td> </tr> <tr> <td style="padding-left: 20px;">Compensated Absences</td> <td style="text-align: right;">(12,380,953)</td> </tr> <tr> <td style="padding-left: 20px;">Other Long-Term Liabilities</td> <td style="text-align: right;"><u>(127,500)</u></td> </tr> </table> <p style="text-align: right;">Total (40,939,633)</p>	Special Assessments	11,331,154	Property Taxes	3,620,358	Intergovernmental	5,292,997	Sales Tax	<u>1,499,150</u>	Net Assets	897,501	Capital Assets	(44,862)	Compensated Absences	<u>221,266</u>	Bond Issuance Costs	223,988	Unamortized Loss On Refunded Bonds	<u>94,157</u>	General Obligation Bonds	(18,992,000)	Special Assessment Bonds	(8,855,850)	Unamortized Premium on Bond	(583,330)	Compensated Absences	(12,380,953)	Other Long-Term Liabilities	<u>(127,500)</u>	<p style="text-align: right;">Total 21,743,659</p> <p style="text-align: right;">Total 1,073,905</p> <p style="text-align: right;">(161,230)</p> <p style="text-align: right;">318,145</p> <p style="text-align: right;">(40,939,633)</p>
Special Assessments	11,331,154																													
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<p>2,249,714</p> <p>1,090,407</p> <p>290,140</p> <p>2,107,110</p> <p>3,078,956</p> <p>840,526</p> <p>417,608</p> <p>15,033,532</p> <p>56,428,464</p> <p>5,150,453</p> <hr/> <p>86,686,910</p>																														
<p>\$ 161,673,033</p>		<p><b>Net Assets of Governmental Activities</b></p> <p style="text-align: right;"><b>\$ 212,751,479</b></p>																												

# LAKE COUNTY, OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	GENERAL	MR & DD BOARD	ADAMHS BOARD	SPECIAL ASSESSMENT DEBT SERVICE	OTHER GOVERNMENTAL FUNDS
REVENUES:					
Property taxes	\$ 12,623,946	\$ 18,497,257	\$ 9,079,645	\$	\$ 7,782,266
Sales tax	14,353,531				
Other taxes	2,158,599	21,903	10,750		632,253
Fees and charges for services	6,217,023				9,158,448
Licenses and permits	343,666				704,975
Fines and forfeitures	171,313				1,071,917
Intergovernmental	6,597,412	22,514,810	11,630,223		38,341,040
Special assessments				1,009,701	1,992,494
Investment earnings	2,563,307				17,538
Miscellaneous	3,910,579	1,439,659	335,188		3,365,804
<b>TOTAL REVENUES</b>	<b>48,939,376</b>	<b>42,473,629</b>	<b>21,055,806</b>	<b>1,009,701</b>	<b>63,066,735</b>
EXPENDITURES:					
CURRENT:					
General government	13,234,430				4,660,201
Judicial and public safety	34,867,937				8,692,994
Public works	255,292				11,277,386
Human services	1,336,878	45,666,842			32,156,408
Health	271,429		23,216,195		490,025
Community and economic development	177,150				2,155,716
Capital outlay					5,149,803
Debt service:					
Principal retirement				575,200	2,708,000
Interest and fiscal charges				446,724	1,054,148
<b>TOTAL EXPENDITURES</b>	<b>50,143,116</b>	<b>45,666,842</b>	<b>23,216,195</b>	<b>1,021,924</b>	<b>68,344,681</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(1,203,740)	(3,193,213)	(2,160,389)	(12,223)	(5,277,946)
OTHER FINANCING SOURCES AND USES:					
Sale of capital assets	6,288				37,817
Issuance of debt					540,000
Transfers - in	910,838				9,083,824
Transfers - out	(5,126,929)				(5,387,733)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,209,803)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,273,908</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,413,543)</b>	<b>(3,193,213)</b>	<b>(2,160,389)</b>	<b>(12,223)</b>	<b>(1,004,038)</b>
FUND BALANCE AT BEGINNING OF YEAR					
	24,706,034	12,514,820	7,702,810	2,119,333	51,394,978
INCREASE (DECREASE) IN RESERVE FOR INVENTORY					
					32,341
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 19,292,491</b>	<b>\$ 9,321,607</b>	<b>\$ 5,542,421</b>	<b>\$ 2,107,110</b>	<b>\$ 50,423,281</b>

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

*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, 2009*

	<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ (11,783,406)</b>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
\$ 47,983,114	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.		
14,353,531	This is the amount by which capital outlays exceeded depreciation in the current period:		
2,823,505	Capital Outlay	9,106,709	
15,375,471	Depreciation	<u>(7,232,231)</u>	
1,048,641	Total		1,874,478
1,243,230	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.		(28,556)
79,083,485	Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		32,341
3,002,195	Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
2,580,845	Special Assessments	(388,510)	
9,051,230	Property Taxes	232,953	
	Intergovernmental	(78,178)	
176,545,247	Sales Tax	<u>(131,967)</u>	
	Total		(365,702)
17,894,631	Other financing sources (proceeds of bonds) in the governmental funds that increase long-term liabilities in the statement of net assets.		(540,000)
43,560,931	Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
11,532,678	Bonds and Loans	<u>3,283,200</u>	
79,160,128	Total		3,283,200
23,977,649	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(1,632)
2,332,866	Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities:		
5,149,803	Amortization of Loss on Refunded Bonds	(5,446)	
3,283,200	Amortization of Bond Premium	33,589	
1,500,872	Amortization of Bond Issuance Costs	<u>(11,402)</u>	
188,392,758	Total		16,741
(11,847,511)	Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(536,215)
44,105	The internal service funds used by management are not reported in the county-wide statement of activities. Governmental fund expenditures and related internal service fund revenue are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.		
540,000	Change in Net Assets	(55,801)	
9,994,662	Capital Assets	19,552	
(10,514,662)	Compensated Absences	<u>11,182</u>	
64,105	Total		(25,067)
(11,783,406)	<b>Change in Net Assets of Governmental Activities</b>		<b>\$ (8,073,818)</b>
98,437,975			
32,341			
\$ 86,686,910			

# LAKE COUNTY, OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MAJOR GOVERNMENTAL FUNDS (NON - GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2009

GENERAL FUND	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 12,245,982	\$ 12,620,982	\$ 12,623,946	\$ 2,964
Sales tax	15,100,000	14,520,000	14,524,183	4,183
Other taxes	2,566,314	2,166,314	2,160,489	(5,825)
Fees and charges for services	6,127,250	6,253,350	6,289,783	36,433
Licenses and permits	411,500	336,500	343,824	7,324
Fines and forfeitures	190,000	174,000	175,679	1,679
Intergovernmental	6,248,274	6,562,946	6,584,827	21,881
Investment earnings	4,050,000	4,050,000	4,030,208	(19,792)
Miscellaneous	3,977,328	3,730,519	3,813,878	83,359
<b>TOTAL REVENUES</b>	<b>50,916,648</b>	<b>50,414,611</b>	<b>50,546,817</b>	<b>132,206</b>
EXPENDITURES:				
CURRENT:				
General government	15,169,250	13,853,675	13,219,235	634,440
Judicial and public safety	33,790,762	35,193,437	34,829,583	363,854
Public works	257,103	257,188	254,589	2,599
Human services	1,227,183	1,308,155	1,297,055	11,100
Health	263,169	272,669	271,420	1,249
Community and economic development	177,150	177,150	177,150	0
<b>TOTAL EXPENDITURES</b>	<b>50,884,617</b>	<b>51,062,274</b>	<b>50,049,032</b>	<b>1,013,242</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	32,031	(647,663)	497,785	1,145,448
OTHER FINANCING SOURCES AND USES:				
Sale of capital assets	20,000	10,000	11,087	1,087
Advances-in	180,000	145,000	171,409	26,409
Transfers - in		651,816	910,838	259,022
Transfers - out	(4,796,086)	(5,652,227)	(5,126,929)	525,298
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,596,086)</b>	<b>(4,845,411)</b>	<b>(4,033,595)</b>	<b>811,816</b>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	(4,564,055)	(5,493,074)	(3,535,810)	1,957,264
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR				
	19,536,818	19,536,818	19,536,818	0
Unexpended Prior Year Encumbrances				
	101,576	101,576	101,576	0
FUND BALANCE (DEFICIT) AT END OF YEAR				
	<u>\$ 15,074,339</u>	<u>\$ 14,145,320</u>	<u>\$ 16,102,584</u>	<u>\$ 1,957,264</u>

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

# LAKE COUNTY, OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MAJOR GOVERNMENTAL FUNDS (NON - GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2009

BOARD OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES (MR & DD BOARD)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 17,945,167	\$ 18,487,167	\$ 18,497,257	\$ 10,090
Other taxes	21,903	21,903	21,903	0
Intergovernmental	22,005,131	22,123,131	21,977,037	(146,094)
Miscellaneous	1,103,534	1,429,686	1,436,094	6,408
TOTAL REVENUES	<u>41,075,735</u>	<u>42,061,887</u>	<u>41,932,291</u>	<u>(129,596)</u>
EXPENDITURES:				
CURRENT:				
Human services	<u>43,715,873</u>	<u>47,260,060</u>	<u>45,373,373</u>	<u>1,886,687</u>
TOTAL EXPENDITURES	<u>43,715,873</u>	<u>47,260,060</u>	<u>45,373,373</u>	<u>1,886,687</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,640,138)	(5,198,173)	(3,441,082)	1,757,091
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	12,508,401	12,508,401	12,508,401	0
Unexpended Prior Year Encumbrances	<u>92,945</u>	<u>92,945</u>	<u>92,945</u>	<u>0</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 12,601,346</u>	<u>\$ 12,601,346</u>	<u>\$ 12,601,346</u>	<u>\$ 0</u>

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

# LAKE COUNTY, OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MAJOR GOVERNMENTAL FUNDS (NON - GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2009

BOARD OF ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES (ADAMHS BOARD)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 8,805,722	\$ 9,075,722	\$ 9,079,645	\$ 3,923
Other taxes	10,750	10,750	10,750	0
Intergovernmental	14,754,684	13,622,938	13,465,917	(157,021)
Miscellaneous		17,946	335,068	317,122
TOTAL REVENUES	<u>23,571,156</u>	<u>22,727,356</u>	<u>22,891,380</u>	<u>164,024</u>
EXPENDITURES:				
CURRENT:				
Health	<u>22,641,500</u>	<u>23,721,500</u>	<u>23,156,526</u>	<u>564,974</u>
TOTAL EXPENDITURES	<u>22,641,500</u>	<u>23,721,500</u>	<u>23,156,526</u>	<u>564,974</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	929,656	(994,144)	(265,146)	728,998
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	4,047,511	4,047,511	4,047,511	0
Unexpended Prior Year Encumbrances	<u>69,594</u>	<u>69,594</u>	<u>69,594</u>	<u>0</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 4,117,105</u>	<u>\$ 4,117,105</u>	<u>\$ 4,117,105</u>	<u>\$ 0</u>

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

# LAKE COUNTY, OHIO

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2009

(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>WATER</u>	<u>WASTE- WATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>	<u>INTERNAL SERVICE FUNDS</u>
ASSETS:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 8,753,182	\$ 13,981,557	\$ 9,967,373	\$ 32,702,112	\$ 1,204,141
Net receivables:					
Accounts	2,685,815	2,222,524	692,749	5,601,088	127
Unbilled accounts	1,954,430	2,113,753		4,068,183	
Other receivables				0	
Due from other funds		675,000	319,177	994,177	91,298
Due from other governments				0	13,525
Material and supplies inventory	894,906	653,442	3,281	1,551,629	75,017
Prepaid items	25,811	29,251	5,414	60,476	2,418
Unamortized bond issuance costs	27,299	4,507		31,806	
<i>Total current assets</i>	<u>14,341,443</u>	<u>19,680,034</u>	<u>10,987,994</u>	<u>45,009,471</u>	<u>1,386,526</u>
Noncurrent assets-capital assets:					
Land	1,375,593	1,557,824	1,558,229	4,491,646	
Land improvements	88,142	36,365	259,316	383,823	
Utility plant in service	128,402,561	213,892,934	15,526,002	357,821,497	
Furniture, fixtures and equipment	2,513,621	4,669,055	623,680	7,806,356	243,314
Less: Accumulated depreciation	(78,891,383)	(107,269,872)	(7,566,482)	(193,727,737)	(198,452)
Construction-in-progress	4,120,139	7,643,306	6,501,110	18,264,555	
<i>Total noncurrent assets-capital assets:</i>	<u>57,608,673</u>	<u>120,529,612</u>	<u>16,901,855</u>	<u>195,040,140</u>	<u>44,862</u>
<b>TOTAL ASSETS</b>	<u>\$ 71,950,116</u>	<u>\$ 140,209,646</u>	<u>\$ 27,889,849</u>	<u>\$ 240,049,611</u>	<u>\$ 1,431,388</u>

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

# LAKE COUNTY, OHIO

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS (CONTINUED)

DECEMBER 31, 2009

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>WATER</u>	<u>WASTE- WATER</u>	<u>SOLID WASTE</u>	<u>TOTALS</u>	<u>Activities</u> <u>INTERNAL</u> <u>SERVICE</u> <u>FUNDS</u>
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable	\$ 371,807	\$ 656,807	\$ 404,416	\$ 1,433,030	\$ 80,627
Accrued wages and benefits	150,802	176,204	14,909	341,915	26,783
Unearned revenue	1,053,171	1,078,878		2,132,049	
Accrued interest payable	8,015	54,325	7,000	69,340	
Interfund payable				0	
Due to other funds	2,166,307	7,889	1,270	2,175,466	162
Due to other governments	794,608	116,334	143,074	1,054,016	13,053
Claims payable				0	191,996
Customer deposits	165,985	153,848		319,833	
Compensated absences payable-current	70,148	67,342	7,236	144,726	14,405
Unamortized premium on debt issue	12,895			12,895	
Notes payable	1,573,427	7,740,000	960,000	10,273,427	
OWDA loans payable-current	150,970	3,237,436		3,388,406	
General obligation bonds payable-current	670,000	75,850		745,850	
Other long-term debt payable-current		20,829		20,829	
<i>Total current liabilities</i>	<u>7,188,135</u>	<u>13,385,742</u>	<u>1,537,905</u>	<u>22,111,782</u>	<u>327,026</u>
Noncurrent liabilities:					
Compensated absences payable	1,007,395	967,093	103,922	2,078,410	206,861
OWDA loans payable		20,850,478		20,850,478	
General obligation bonds payable		1,201,300		1,201,300	
Other long-term debt payable		384,311		384,311	
Landfill closure and postclosure costs			17,251,468	17,251,468	
<i>Total noncurrent liabilities</i>	<u>1,007,395</u>	<u>23,403,182</u>	<u>17,355,390</u>	<u>41,765,967</u>	<u>206,861</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 8,195,530</u>	<u>\$ 36,788,924</u>	<u>\$ 18,893,295</u>	<u>\$ 63,877,749</u>	<u>\$ 533,887</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	55,201,381	87,019,408	15,941,855	158,162,644	44,862
Unrestricted	8,553,205	16,401,314	(6,945,301)	18,009,218	852,639
<b>TOTAL NET ASSETS</b>	<u>\$ 63,754,586</u>	<u>\$ 103,420,722</u>	<u>\$ 8,996,554</u>	<u>\$ 176,171,862</u>	<u>\$ 897,501</u>

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

# LAKE COUNTY, OHIO

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds				Governmental
	WATER	WASTE- WATER	SOLID WASTE	TOTALS	Activities INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Water sales	\$ 16,246,882	\$	\$	\$ 16,246,882	\$
Sewer charges		14,330,115		14,330,115	
Fees, permits and tap-ins	196,117	651,363		847,480	
Charges for services	25,813	45,937	5,255,686	5,327,436	6,205,678
Other operating revenues	59,342	134,123	226,288	419,753	16,964
TOTAL OPERATING REVENUES	16,528,154	15,161,538	5,481,974	37,171,666	6,222,642
OPERATING EXPENSES:					
Personal services	4,059,705	4,564,643	426,210	9,050,558	658,152
Contractual services	708,036	500,264	5,126,848	6,335,148	277,651
Materials and supplies	1,502,740	730,220	126,807	2,359,767	1,265,470
Insurance claims				0	3,830,737
Other operating expenses	3,483,971	4,175,144	460,853	8,119,968	798,906
Depreciation expense	3,216,563	5,188,735	548,360	8,953,658	19,552
TOTAL OPERATING EXPENSES	12,971,015	15,159,006	6,689,078	34,819,099	6,850,468
OPERATING INCOME (LOSS)	3,557,139	2,532	(1,207,104)	2,352,567	(627,826)
NON-OPERATING REVENUES (EXPENSES):					
Investment earnings	611	819	630	2,060	
Sale of capital assets	13,282	8,855		22,137	2,025
Interest and fiscal charges	(297,881)	(1,094,765)		(1,392,646)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	(283,988)	(1,085,091)	630	(1,368,449)	2,025
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	3,273,151	(1,082,559)	(1,206,474)	984,118	(625,801)
Grants and contributed capital	764,793	1,892,927		2,657,720	
Contributions from customers	22,585	68,058		90,643	
Transfers-in				0	570,000
Transfers-out	(50,000)			(50,000)	
CHANGE IN NET ASSETS	4,010,529	878,426	(1,206,474)	3,682,481	(55,801)
NET ASSETS AT BEGINNING OF THE YEAR	59,744,057	102,542,296	10,203,028	172,489,381	953,302
NET ASSETS AT END OF THE YEAR	\$ 63,754,586	\$ 103,420,722	\$ 8,996,554	\$ 176,171,862	\$ 897,501

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

# LAKE COUNTY, OHIO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities</u>
	<u>WATER</u>	<u>WASTE-WATER</u>	<u>SOLID WASTE</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<u>Cash flows from operating activities:</u>					
Cash received from customers	\$ 16,960,860	\$ 15,050,074	\$ 5,425,953	\$ 37,436,887	\$ 6,288,799
Cash paid to suppliers	(5,606,504)	(5,596,465)	(4,639,328)	(15,842,297)	(2,372,720)
Cash paid to employees	(4,042,659)	(4,549,934)	(424,505)	(9,017,098)	(652,629)
Cash paid for claims				0	(3,794,999)
Other operating revenues	59,342	134,123	226,288	419,753	16,653
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>7,371,039</b>	<b>5,037,798</b>	<b>588,408</b>	<b>12,997,245</b>	<b>(514,896)</b>
<u>Cash flows from noncapital financing activities:</u>					
Transfers-out to other funds	(50,000)			(50,000)	570,000
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(50,000)</b>	<b>0</b>	<b>0</b>	<b>(50,000)</b>	<b>570,000</b>
<u>Cash flows from capital and related financing activities:</u>					
Proceeds from the sale of general obligation notes	1,550,000	7,740,000	960,000	10,250,000	
Proceeds from the sale of general obligation bonds		540,000		540,000	
Acquisition and construction of capital assets	(3,134,305)	(4,242,665)	(305,753)	(7,682,723)	
Principal paid on general obligation debt	(4,009,431)	(4,493,714)	(1,160,000)	(9,663,145)	
Interest paid on general obligation debt	(287,126)	(1,128,300)	(28,919)	(1,444,345)	
Capital contributed by grants	567,156	1,034,369		1,601,525	
Contributions from customers	22,585	68,058		90,643	
Proceeds from the sale of capital assets	13,282	8,855		22,137	2,025
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(5,277,839)</b>	<b>(473,397)</b>	<b>(534,672)</b>	<b>(6,285,908)</b>	<b>2,025</b>
<u>Cash flows from investing activities:</u>					
Interest on investments	1,740	6,688	858	9,286	
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,740</b>	<b>6,688</b>	<b>858</b>	<b>9,286</b>	<b>0</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,044,940</b>	<b>4,571,089</b>	<b>54,594</b>	<b>6,670,623</b>	<b>57,129</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>6,708,242</b>	<b>9,410,468</b>	<b>9,912,779</b>	<b>26,031,489</b>	<b>1,147,012</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 8,753,182</b>	<b>\$ 13,981,557</b>	<b>\$ 9,967,373</b>	<b>\$ 32,702,112</b>	<b>\$ 1,204,141</b>

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

# LAKE COUNTY, OHIO

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>WATER</u>	<u>WASTE- WATER</u>	<u>SOLID WASTE</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<u>Capital and related financing activities</u> <u>not affecting cash:</u>					
Acquisition of capital assets through contributed capital	\$ 171,548	\$ 351,519	\$	\$ 523,067	\$
Acquisition of assets capitalized from prior years's construction-in-progress	<u>2,293,353</u>	<u>1,291,269</u>	<u>123,076</u>	<u>3,707,698</u>	
NET ACQUISITION OF CAPITAL ASSETS NOT AFFECTING CASH	<u>\$ 2,464,901</u>	<u>\$ 1,642,788</u>	<u>\$ 123,076</u>	<u>\$ 4,230,765</u>	<u>\$ 0</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ 3,557,139	\$ 2,532	\$ (1,207,104)	\$ 2,352,567	\$ (627,826)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	3,216,563	5,188,735	548,360	8,953,658	19,552
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	389,808	8,886	170,267	568,961	(66)
(Increase) decrease in other receivable	44,353			44,353	
(Increase) decrease in inventory	(10,345)	(234,607)	9,372	(235,580)	(701)
(Increase) decrease in due from other funds				0	78,997
(Increase) decrease in due from other governments				0	3,879
(Increase) decrease in prepaid items	(101)	(395)	612	116	(573)
Increase (decrease) in accounts payable	44,091	18,261	70,521	132,873	(40,370)
Increase (decrease) in accrued wages	17,046	25,413	1,705	44,164	3,042
Increase (decrease) in due to other funds	(4,273)	(6,934)	(4,429)	(15,636)	(70)
Increase (decrease) in due to other governments	(31,899)	955	187,955	157,011	(161)
Increase (decrease) in claims payable				0	35,738
Increase (decrease) in compensated absences	90,770	21,179	(4,126)	107,823	13,663
Increase (decrease) in customer deposits	57,887	13,773		71,660	
Increase (decrease) in landfill closure and postclosure costs			<u>815,275</u>	<u>815,275</u>	
Total adjustments	<u>3,813,900</u>	<u>5,035,266</u>	<u>1,795,512</u>	<u>10,644,678</u>	<u>112,930</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,371,039</u>	<u>\$ 5,037,798</u>	<u>\$ 588,408</u>	<u>\$ 12,997,245</u>	<u>\$ (514,896)</u>

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

# LAKE COUNTY, OHIO

## STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

DECEMBER 31, 2009

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	AGENCY FUNDS
ASSETS:	
Equity in pooled cash and cash equivalents	\$ 25,564,404
Cash and cash equivalents - non-pooled cash	5,445,397
Receivables:	
Taxes	305,635,295
Special assessments	6,920,487
Due from other governments	<u>2,239,165</u>
TOTAL ASSETS	<u>\$ 345,804,748</u>
LIABILITIES:	
Due to other governments	\$ 331,177,903
Other liabilities	<u>14,626,845</u>
TOTAL LIABILITIES	<u>\$ 345,804,748</u>

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

# **LAKE COUNTY, OHIO**

## ***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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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.

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### **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 Board of Mental Retardation and Developmental Disabilities, 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.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### REPORTING ENTITY (Continued)

##### 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.

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

##### LAKE COUNTY PORT AUTHORITY (the Port Authority)

The Lake County Port Authority was established by the Board of the Lake County Commissioners in 2007 as a body corporate and politic for the purpose of promoting projects that will provide for the creation of jobs and employment opportunities and improve the economic welfare of the people residing in Lake County, as well as to encourage projects to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture or research within the territory served by the Port Authority. The Port Authority is governed by a seven member Board of Directors, each of whom is appointed by the Board of County Commissioners. The Board of County Commissioners can remove any appointed member of the Board of Directors and can also dissolve the Port Authority upon adoption of a resolution. As a result, the Port Authority is reflected as a component unit of Lake County. Separately issued financial statements can be obtained from the Lake County Port Authority, 391 West Washington Street, Painesville, OH 44077.

# **LAKE COUNTY, OHIO**

## ***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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

#### **REPORTING ENTITY (Continued)**

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.

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 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 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.

# **LAKE COUNTY, OHIO**

## ***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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

#### REPORTING ENTITY (Continued)

##### LAKETRAN

Laketrans provides bus transportation services to the residents of Lake County. Laketrans 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 Laketrans Board has the separate governing authority to levy and collect taxes, adopt its own budget, issue bonds and control its own operations.

##### LAKE COUNTY LIBRARY DISTRICT

The Library District provides library services to residents living in the City of Painesville, Grand River Village, 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.

#### Jointly Governed Organizations

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

##### 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.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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### **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 County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the County's accounting policies are described below.

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#### **BASIS OF PRESENTATION**

The County's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 assets 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 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.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

#### **BASIS OF PRESENTATION (Continued)**

##### **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.

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#### **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 and liabilities is reported as fund balance. The following are the County's major governmental funds:

**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.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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#### FUND ACCOUNTING (Continued)

##### Governmental Funds (Continued):

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

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

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

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

##### Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, 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 and serve as the major revenue source for financing the operations and maintenance of the wastewater system.

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.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### FUND ACCOUNTING (Continued)

##### Proprietary Funds (Continued)

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

##### Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. 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.

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#### MEASUREMENT FOCUS

##### Government-wide Financial Statements:

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

##### 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 and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

#### MEASUREMENT FOCUS (Continued)

##### Fund Financial Statements (Continued)

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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 assets.

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#### 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 revenue 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. 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.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

#### BASIS OF ACCOUNTING (Continued)

##### Revenues - Exchange and Non-exchange Transactions (Continued)

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

##### Deferred Revenue/Unearned Revenue

Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

##### 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.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

#### **BUDGETARY PROCESS**

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 2009.

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

#### **Tax Budget**

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

#### **Estimated Resources**

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended

# **LAKE COUNTY, OHIO**

## ***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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

#### BUDGETARY PROCESS (Continued)

##### Estimated Resources (Continued)

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 2009.

##### 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 Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

##### Budgeted Level of Expenditures

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

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

#### **BUDGETARY PROCESS (Continued)**

##### **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 are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

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.

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#### **POOLED CASH AND CASH EQUIVALENTS**

The County Treasurer invests all active County funds. Active County funds are invested in federal agency obligations. 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 2009 totaled \$2,582,905, which includes \$545,267 assigned from funds other than the General Fund. For purposes of reporting cash flows, cash and cash equivalents include all cash items, investments and deposits which can readily be converted into cash. Certificates of deposit are included regardless of initial maturity as they meet the criteria for ready conversion.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2009. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the same as the fair value of the underlying investment.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

#### **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.

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#### **INTERFUND RECEIVABLES**

Non-current portions of long-term interfund loan receivables are reported as interfund receivables and are offset by a fund balance reserve account. This indicates that they do not constitute expendable available financial resources, and, therefore, are not available for appropriation.

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#### **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2009 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.

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#### **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 assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### BOND ISSUANCE COSTS

In governmental fund types, bond issuance costs are recognized in the current period. Bond issuance costs for proprietary fund types and governmental activities on the Statement of Net Assets are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method.

#### 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 assets 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 assets 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**

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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 2009 and included in construction-in-progress for the Enterprise Funds was \$89,335.

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#### **ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

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

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#### **COMPENSATED ABSENCES**

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

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

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### COMPENSATED ABSENCES (Continued)

Employees earn 15 sick days per year. Upon retirement or termination of employment, all employees with the exception of Veteran's Services employees, who receive payment for their entire accrued balance, are paid sick leave according to the following schedule:

<u>Years of Employment (Inclusive)</u>	<u>Percentage of Accrued Unused Sick Hours Paid</u>	<u>Not to Exceed (Hours)</u>
5 thru 9	25%	240
10 thru 14	50%	480
15 thru 19	60%	576
20 thru 24	70%	672
25 thru 29	80%	768
30 thru 34	90%	864
35 and over	100%	960

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

#### FUND BALANCE RESERVES/DESIGNATIONS

The County records reservations for portions of fund balances, which are legally segregated for specific future uses or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Designations of fund balances are amounts that have been designated by management for a specific future use, which are not legally segregated. Unreserved/undesignated fund balance indicates that portion of fund balance which is available for appropriations in future periods.

#### NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include, among others, funds for the operation of a school; resident homes for the mentally retarded and developmentally disabled; the medical, financial and social support to general relief recipients; the support and placement of children; County road and bridge repair/improvement programs; various judicial and public safety programs and other grant funds.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

#### **NET ASSETS (Continued)**

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government wide statement of net assets reports \$67,156,871 of restricted net assets, of which \$16,157,442 is restricted by enabling legislation.

#### **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.

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#### **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.

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#### **EXTRAORDINARY AND SPECIAL ITEMS**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

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#### **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.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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### **NOTE C – CHANGE IN ACCOUNTING PRINCIPLES**

#### **CHANGE IN ACCOUNTING PRINCIPLES**

For 2009, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the County’s financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the County’s financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the County’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the County’s financial statements.

# **LAKE COUNTY, OHIO**

## ***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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### **NOTE C – CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)**

#### **CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the County's financial statements.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE D – RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

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 as a reservation of fund balance (GAAP basis) for governmental funds.

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

	<u>General</u>	<u>MR &amp; DD Board</u>	<u>ADAMHS Board</u>
GAAP Basis	\$(5,413,543)	\$(3,193,213)	\$(2,160,389)
Net Adjustment of Revenue			
Accruals	868,059	(541,338)	1,835,574
Beginning Fair Value			
Adjustment for Investments	1,369,372	0	0
Ending Fair Value			
Adjustment for Investments	(625,191)	0	0
Net Adjustment for			
Expenditure Accruals	(241,802)	381,364	232,408
Advances-In	171,409	0	0
Encumbrances	<u>335,886</u>	<u>(87,895)</u>	<u>(172,739)</u>
Budget Basis	<u>\$(3,535,810)</u>	<u>\$(3,441,082)</u>	<u>\$ (265,146)</u>

# **LAKE COUNTY, OHIO**

## ***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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### **NOTE E – DEPOSITS AND INVESTMENTS**

#### **PRIMARY GOVERNMENT**

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

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

Inactive deposits are public deposits that the County has identified as not required for normal daily operating needs. Inactive deposits must either be evidenced by certificates of deposit maturing not later than five years from the date of purchase, or by savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds issued in the name of the County or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Inactive monies can 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in divisions (1) and (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### PRIMARY GOVERNMENT (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper or bankers acceptances for a period not to exceed 180 days and in a combined amount not to exceed twenty-five percent of the County's total average portfolio.

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 a certificate, upon receipt of confirmation of transfer from the custodian.

#### DEPOSITS

##### *Custodial Credit Risk*

At December 31, 2009, the carrying amount of the County's deposits was \$118,027,337. Based on the criteria described in GASB 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$117,095,209 of the County's bank balance of \$119,693,377 was exposed to custodial risk as discussed below, while \$2,598,168 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### INVESTMENTS

Investments are reported at fair value. As of December 31, 2009, the County had the following investments:

	Maturity				Total
	Less Than Six Months	More Than Six Months But Less Than One Year	More Than One Year But Less Than Three Years	More Than Three Years But Less Than Five Years	
Federal Home Loan Mortgage Corporation Notes	\$ 3,009,000	\$ 0	\$ 0	\$ 0	\$ 3,009,000
Federal Home Loan Bank Notes	2,043,982	1,488,643	6,176,060	0	9,708,685
Federal National Mortgage Association Notes	3,014,610	0	0	0	3,014,610
Federal Farm Credit Bank STAR Ohio	0 <u>170</u>	3,056,040 <u>0</u>	8,232,400 <u>0</u>	0 <u>0</u>	11,288,440 <u>170</u>
Total Portfolio	<u>\$ 8,067,762</u>	<u>\$ 4,544,683</u>	<u>\$14,408,460</u>	<u>\$ 0</u>	<u>\$27,020,905</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 Mortgage Corporation Notes, the Federal Home Loan Bank Bonds, the Federal Farm Credit Bank and the National Mortgage Association Notes 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

### 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 Mortgage Corporation Notes, the Federal Home Loan Bank Notes, the Federal Farm Credit Bank, and the Federal National Mortgage Association Notes 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, 2009:

<u>Investment</u>	<u>Percentage of Investments</u>
Star Ohio	0%
Federal Home Loan Mortgage Corporation Notes	11.14%
Federal Home Loan Bank Notes	35.93%
Federal Farm Credit Bank	41.77%
Federal National Mortgage Association Notes	11.16%

#### COMPONENT UNITS

At December 31, 2009 the carrying amount of Deepwood Industries, Inc. Workshop's deposits was \$554,697. Based on the criteria described in GASB Statement No. 40 "Deposits and Investments Risk Disclosures", as of December 31, 2009, \$313,994 of the Workshop's bank balance of \$563,994 was exposed to custodial risk, while \$250,000 was covered by the Federal Depository Insurance Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At December 31, 2009 the carrying amount of the Lake County Port Authority's deposits was \$338,794. Based on the criteria described in GASB Statement No. 40 "Deposits and Investments Risk Disclosures", as of December 31, 2009, \$153,457 of the Port Authority's bank balance of \$403,457 was exposed to custodial risk, while \$250,000 was covered by the Federal Depository Insurance Corporation. The Port Authority had no investments at year-end.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,522,603	\$ 0	\$ 0	\$ 3,522,603
Construction in progress	<u>27,233,444</u>	<u>4,619,465</u>	<u>2,186,936</u>	<u>29,665,973</u>
<i>Total capital assets not being depreciated</i>	<u>30,756,047</u>	<u>4,619,465</u>	<u>2,186,936</u>	<u>33,188,576</u>
<i>Capital assets being depreciated:</i>				
Land improvements	762,496	20,000	0	782,496
Buildings and other structures	85,475,032	2,325,380	0	87,800,412
Furniture, fixtures and equipment	40,221,983	541,097	1,024,787	39,738,293
Infrastructure	<u>86,124,879</u>	<u>3,787,703</u>	<u>0</u>	<u>89,912,582</u>
<i>Total capital assets being depreciated</i>	<u>212,584,390</u>	<u>6,674,180</u>	<u>1,024,787</u>	<u>218,233,783</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	541,468	34,101	0	575,569
Buildings and other structures	41,479,204	2,316,034	0	43,795,238
Furniture, fixtures and equipment	30,182,885	2,063,430	996,231	31,250,084
Infrastructure	<u>28,953,079</u>	<u>2,818,666</u>	<u>0</u>	<u>31,771,745</u>
<i>Total accumulated depreciation</i>	<u>101,156,636</u>	<u>7,232,231*</u>	<u>996,231</u>	<u>107,392,636</u>
<i>Total capital assets being depreciated, net</i>	<u>111,427,754</u>	<u>(558,051)</u>	<u>28,556</u>	<u>110,841,147</u>
<i>Governmental activities capital assets, net</i>	<u>\$142,183,801</u>	<u>\$4,061,414</u>	<u>\$2,215,492</u>	<u>\$144,029,723</u>

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE F – CAPITAL ASSETS (CONTINUED)

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

General Government	\$ 823,069
General Government (Int. Svc.)	19,552
Judicial and Public Safety	1,936,990
Public Works	3,231,896
Human Services	998,370
Health	<u>222,354</u>
 Total Governmental Activities Depreciation Expense	 <u>\$ 7,232,231</u>

<b>Business-type Activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,491,646	\$ 0	\$ 0	\$ 4,491,646
Construction in progress	<u>15,608,467</u>	<u>7,577,999</u>	<u>4,921,911</u>	<u>18,264,555</u>
<i>Total capital asset not being depreciated</i>	<u>20,100,113</u>	<u>7,577,999</u>	<u>4,921,911</u>	<u>22,756,201</u>
<i>Capital assets being depreciated:</i>				
Land improvements	365,171	18,652	0	383,823
Utility plant in service	352,507,497	5,314,000	0	357,821,497
Furniture, fixtures and equipment	<u>7,745,955</u>	<u>397,733</u>	<u>337,332</u>	<u>7,806,356</u>
<i>Total capital assets being depreciated</i>	<u>360,618,623</u>	<u>5,730,385</u>	<u>337,332</u>	<u>366,011,676</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	207,891	16,281	0	224,172
Utility plant in service	178,951,398	8,432,703	0	187,384,101
Furniture, fixtures and equipment	<u>5,952,122</u>	<u>504,674</u>	<u>337,332</u>	<u>6,119,464</u>
<i>Total accumulated depreciation</i>	<u>185,111,411</u>	<u>8,953,658</u>	<u>337,332</u>	<u>193,727,737</u>
<i>Total capital assets being depreciated, net</i>	<u>175,507,212</u>	<u>(3,223,273)</u>	<u>0</u>	<u>172,283,939</u>
<i>Business-type activities capital assets, net</i>	<u>\$195,607,325</u>	<u>\$4,354,726</u>	<u>\$4,921,911</u>	<u>\$195,040,140</u>

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE G – INTERFUND TRANSACTIONS

Due to/from payables and receivables balances at December 31, 2009, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occurred, (2) transactions are recorded in the accounting records, and (3) payments between funds are made.

	<u>DUE FROM RECEIVABLES</u>	<u>DUE TO PAYABLES</u>
<u>Governmental Major Funds:</u>		
General Fund	\$1,011,141	\$ 95,169
MR & DD Board		3,654
ADAMHS Board		<u>161</u>
Total Governmental Major Funds	<u>1,011,141</u>	<u>98,984</u>
 <u>Enterprise Major Funds:</u>		
Water		2,166,307
Wastewater	675,000	7,889
Solid Waste	<u>319,177</u>	<u>1,270</u>
Total Enterprise Major Funds	<u>994,177</u>	<u>2,175,466</u>
 <u>Nonmajor Special Revenue Funds:</u>		
Public Assistance		15,605
Children's Services		1,211
Child Support Enforcement		99,584
Youth Services Grant		117
Felony Delinquent Custody & Care		1,039
Auto License and Gasoline Tax		629
Municipal Street Improvement and Construction		8
Engineer's Stormwater Management		1,025
Dog and Kennel		689
Narcotics Agency		7,573
Forensic Crime Laboratory		2,303
Emergency Management Agency		1,322
Homeland Security		383
Prosecutor's 4-D	48,585	98
Pilot Probation Grant		77
800 MHZ Communications System		909
450 MHZ Paging System		331
Domestic Relations 4-D	22,514	291
Juvenile Court Computerization		14
Juvenile Court IV-D	21,762	1,685
Certificate of Title Administration		242
Clerk of Courts Computerization		759
Common Pleas Court Project #1		2,350

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE G – INTERFUND TRANSACTIONS (CONTINUED)

	<u>DUE FROM RECEIVABLES</u>	<u>DUE TO PAYABLES</u>
<u>Nonmajor Special Revenue Funds (continued):</u>		
Probate Court Computerization	\$	\$ 111
Probation Supervision Fees		47
Telecommunications	65,272	964
Real Estate Assessment		2,469
Treasurer's Delinquent Tax		83
County Recorder's Equipment		60
Hotel/Motel		717
Geographic Information Systems	450	94
Community Development Block Grant		24
Total Special Revenue Funds	<u>158,583</u>	<u>142,813</u>
<u>Nonmajor Capital Project Funds:</u>		
Permanent Improvement	163,081	
Courthouse Renovation		<u>855</u>
Total Capital Project Funds	<u>163,081</u>	<u>855</u>
<u>Internal Service Funds:</u>		
Central Purchasing	13,644	128
Mailroom	27,471	34
Garage	<u>50,183</u>	
Total Internal Service Funds	<u>91,298</u>	<u>162</u>
TOTAL – ALL FUNDS	<u>\$2,418,280</u>	<u>\$2,418,280</u>
	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 400,526	
Public Assistance		\$257,114
Additional Motor Vehicle Tax	440,000	
Engineer's Stormwater Management		440,000
Juvenile Court Computerization		143,412

The General Fund provided cash to both the Public Assistance Fund and the Juvenile Court Computerization Fund several years ago due to cash flow deficiencies for those two funds. The Additional Motor Vehicle Tax Fund provided cash to the Engineer's Stormwater Maintenance Fund several years ago when the fund was initially created.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE H – LONG-TERM DEBT

Changes in the County's long-term obligations during the year ended December 31, 2009, consist of the following:

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2009	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2009	AMOUNTS DUE IN ONE YEAR
<b>GOVERNMENTAL ACTIVITIES</b>								
<i>General Obligation Bonds</i>								
1986/2011	Detention Facility	\$15,725,000	6.75%	\$ 1,965,000	\$ 0	\$ (655,000)	\$ 1,310,000	\$ 655,000
1999/2009	Voting Machines	2,000,000	4.80%-5.30%	200,000	0	(200,000)	0	0
2001/2010	Juvenile Justice Center and Courthouse Annex	7,660,000	3.35%-4.25%	1,940,000	0	(950,000)	990,000	990,000
2005/2025	County Building Improvement & Refunding	15,500,000	3.00%-5.00%	14,655,000	0	(595,000)	14,060,000	615,000
2005/2010	Forensic Crime Laboratory	636,000	3.00%-5.00%	220,000	0	(108,000)	112,000	112,000
2005/2015	Human Services Center	2,500,000	3.00%-5.00%	1,165,000	0	(150,000)	1,015,000	155,000
2007/2032	Dog Shelter Renovation	1,545,000	4.05%-5.00%	<u>1,540,000</u>	<u>0</u>	<u>(35,000)</u>	<u>1,505,000</u>	<u>40,000</u>
Total General Obligation Bonds – Unvoted				21,685,000	0	(2,693,000)	18,992,000	2,567,000
<i>Special Assessment Bonds with Government Commitment</i>								
2005/2010	Blackmore, Birch, Iowa 167W, 169W, 170W	159,000	3.00%-5.00%	55,000	0	(27,000)	28,000	28,000
1994/2014	Proj. 176W, 178W, 180W, 183W, 187W, 193W, 195W, 199W, 182S, 186S	1,340,000	5.60%-7.75%	420,000	0	(70,000)	350,000	70,000
1996/2016	Perry Area 166S	965,000	4.95%-6.75%	400,000	0	(50,000)	350,000	50,000
1999/2019	Proj. 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	850,000	5.80%	430,000	0	(50,000)	380,000	50,000
2000/2020	Girdled, Wood, Timberlane 206W, 220W, 227W	1,145,000	5.60%	705,000	0	(55,000)	650,000	55,000
2000/2020	Pinecrest Area, Beechersbrook Lane, Imperial Woods, 216W, 231W, 221S	1,280,000	5.60%	825,000	0	(65,000)	760,000	65,000
2002/2022	Concord Area, Lane, Shepard, Lockwood, 234S, 212W, 240W	2,862,500	2.00%-4.75%	2,214,050	0	(121,200)	2,092,850	124,150
2004/2024	Windpoint Reserve, McMackin, South Ridge, Shepard, Baldwin, Althea, Dormae Roads, 242S, 243W, 248W, 249W, 250W, 251W, 253W	1,610,000	2.00%-5.35%	1,385,000	0	(65,000)	1,320,000	65,000
2005/2025	Mount Royal, Spring Lake, Spring Lake Loop, 241W, 246W, 265W	670,000	3.50%-5.00%	600,000	0	(25,000)	575,000	25,000
2008/2028	Rte. 20 East of Lane, Perry Village, Ashview, Meadow Wood, Perry Park Rd. 244S, 258S, 274S, 262W, 300W	1,857,000	3.00%-5.00%	1,857,000	0	(47,000)	1,810,000	65,000
2009/2029	Maple Street, 291S	540,000	2.00%-5.25%	<u>0</u>	<u>540,000</u>	<u>0</u>	<u>540,000</u>	<u>15,000</u>
Total Special Assessment Bonds				8,891,050	540,000	(575,200)	8,855,850	612,150
Other Long-Term Liabilities								
2008/2018	Ohio Public Works Commission Loan	150,000	0.00%	<u>142,500</u>	<u>0</u>	<u>(15,000)</u>	<u>127,500</u>	<u>15,000</u>
Total Other Long-Term Liabilities				142,500	0	(15,000)	127,500	15,000
<i>Unamortized Premium on Debt Issues</i>				616,919	0	(33,589)	583,330	34,745
<i>Compensated Absences</i>				<u>11,844,738</u>	<u>1,143,501</u>	<u>(607,286)</u>	<u>12,380,953</u>	<u>806,000</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				<u>\$43,180,207</u>	<u>\$1,683,501</u>	<u>\$(3,924,075)</u>	<u>\$40,939,633</u>	<u>\$4,034,895</u>

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2009	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2009	AMOUNTS DUE IN ONE YEAR
<b>BUSINESS TYPE ACTIVITIES</b>								
<i>Self Supporting General Obligation Bonds Payable from Enterprise Funds</i>								
<u>Payable from Water Revenues</u>								
2002/2010	State Route 91 130W, 126W,151W, 157W	\$4,905,000	2.00%-3.25%	<u>\$1,315,000</u>	<u>\$ 0</u>	<u>\$(645,000)</u>	<u>\$ 670,000</u>	<u>\$670,000</u>
Total Payable From Water				1,315,000	0	(645,000)	670,000	670,000
<u>Payable From Wastewater Revenues</u>								
2002/2022	Concord Area 234S	1,742,500	2.00%-4.75%	<u>1,350,950</u>	<u>0</u>	<u>(73,800)</u>	<u>1,277,150</u>	<u>75,850</u>
Total Payable from Wastewater				<u>1,350,950</u>	<u>0</u>	<u>(73,800)</u>	<u>1,277,150</u>	<u>75,850</u>
Total Self Supporting General Obligation Bonds				2,665,950	0	(718,800)	1,947,150	745,850
<u>OWDA Loans</u>								
<u>Payable From Water Revenues</u>								
1984/2009	Project 124W 8 - 10	35,995,291	12.00%	2,048,702	0	(2,048,702)	0	0
1984/2009	Project 124W3 1/6 - 1/7	953,669	9.88%	47,375	0	(47,375)	0	0
1985/2010	Willoughby, Eastlake, Wickliffe	2,851,747	10.84%	438,144	0	(287,174)	150,970	150,970
1985/2010	Project 124W 11 & 12	4,288,844	9.86%	425,548	0	(425,548)	0	0
1985/2010	Project 124W 1- 7	4,290,141	9.99%	429,521	0	(429,521)	0	0
1989/2010	Wickliffe - #1043	1,265,371	7.59%	116,135	0	(116,135)	0	0
1990/2010	Willowick - #1044	108,724	7.59%	<u>9,978</u>	<u>0</u>	<u>(9,978)</u>	<u>0</u>	<u>0</u>
Total Payable From Water				3,515,403	0	(3,364,433)	150,970	150,970
<u>Payable From Wastewater Revenues</u>								
1985/2010	Project 140S	12,801,588	9.98%	2,627,851	0	(1,222,283)	1,405,568	1,405,568
1986/2010	Project 140S-6	1,632,644	7.86%	207,920	0	(136,918)	71,002	71,002
2000/2020	Project 218S	36,199,145	4.12%	<u>24,301,844</u>	<u>0</u>	<u>(1,690,500)</u>	<u>22,611,344</u>	<u>1,760,866</u>
Total Payable From Wastewater				<u>27,137,615</u>	<u>0</u>	<u>(3,049,701)</u>	<u>24,087,914</u>	<u>3,237,436</u>
Total OWDA Loans				30,653,018	0	(6,414,134)	24,238,884	3,388,406
<u>Other Long-Term Liabilities</u>								
<u>Payable from Wastewater Revenues</u>								
2006/2025	City of Willoughby Hills	488,959	3.03%	<u>425,352</u>	<u>0</u>	<u>(20,212)</u>	<u>405,140</u>	<u>20,829</u>
Total Payable From Wastewater				<u>425,352</u>	<u>0</u>	<u>(20,212)</u>	<u>405,140</u>	<u>20,829</u>
Total Other Long-Term Liabilities				425,352	0	(20,212)	405,140	20,829
<u>Landfill Closure and Post Closure Costs</u>				16,436,193	815,275	0	17,251,468	0
<u>Unamortized Premium on Debt Issues</u>				25,308	0	(12,413)	12,895	12,895
<u>Compensated Absences</u>				<u>2,104,609</u>	<u>157,097</u>	<u>(38,570)</u>	<u>2,223,136</u>	<u>144,726</u>
<b>TOTAL BUSINESS TYPE ACTIVITIES</b>				<u>\$52,310,430</u>	<u>\$ 972,372</u>	<u>\$(7,204,129)</u>	<u>\$46,078,673</u>	<u>\$ 4,312,706</u>

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2009 are as follows:

#### *Governmental Activities*

YEAR ENDED DEC. 31 <sup>st</sup>	GENERAL OBLIGATION BONDS		SPECIAL ASSESSMENT BONDS		OTHER LONG-TERM DEBT	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,567,000	\$ 928,638	\$ 612,150	\$ 432,461	\$ 15,000	\$ 0
2011	1,495,000	805,450	602,100	399,652	15,000	0
2012	870,000	727,617	618,000	372,542	15,000	0
2013	905,000	692,737	630,950	344,451	15,000	0
2014	945,000	656,447	641,850	315,337	15,000	0
2015-2019	4,620,000	2,591,833	2,792,750	1,157,801	52,500	0
2020-2024	5,645,000	1,360,250	2,208,050	487,853	0	0
2025-2029	1,645,000	200,500	750,000	98,425	0	0
2030-2032	<u>300,000</u>	<u>30,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	<u>\$18,992,000</u>	<u>\$7,993,972</u>	<u>\$8,855,850</u>	<u>\$3,608,522</u>	<u>\$127,500</u>	<u>\$ 0</u>

#### *Business Type Activities*

YEAR ENDED DEC. 31 <sup>st</sup>	GENERAL OBLIGATION BONDS		O.W.D.A. LOANS		OTHER LONG-TERM DEBT	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 745,850	\$ 79,713	\$ 3,388,408	\$ 993,108	\$ 20,829	\$ 12,119
2011	77,900	55,284	1,834,161	840,340	21,465	11,483
2012	82,000	52,479	1,910,507	763,995	22,121	10,828
2013	84,050	49,446	1,990,031	684,471	22,796	10,153
2014	88,150	46,210	2,072,864	601,637	23,492	9,457
2015-2019	502,250	167,031	11,732,655	1,639,853	128,666	36,077
2020-2024	366,950	35,201	1,310,258	26,992	149,543	15,200
2025	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,228</u>	<u>246</u>
TOTALS	<u>\$1,947,150</u>	<u>\$ 485,364</u>	<u>\$ 24,238,884</u>	<u>\$ 5,550,396</u>	<u>\$405,140</u>	<u>\$105,563</u>

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

The County had entered into agreements to lease equipment and machinery. These agreements, in substance, are capital purchases and the related obligations are classified as capital leases payable in the financial statements. At December 31, 2009 all of the capital leases had been fully satisfied.

At December 31, 2009 the County had entered into various operating leases, with terms ranging in length from one to twenty-two years, for office space and equipment. The total future rental payment for these leases is \$3,499,535. Of this amount, \$3,392,873 represents future rental payments for the occupation of buildings. Operating lease payments are recorded in the period they are paid. These operating leases all have required monthly payments and some have renewal options available.

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

<u>Year</u>	<u>Amount</u>
2010	\$ 645,009
2011	555,750
2012	473,626
2013	470,779
2014	379,371
2015-2017	<u>975,000</u>
	\$3,499,535

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

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 2009, the County issued special assessment bonds in the amount of \$540,000 to retire note debt issued to finance improvements to the County's water and sewer system.

In 1992, the County defeased \$7.5 million dollars in State Route 91 Water System Bonds (1988 issue) by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. At December 31, 2009, \$720,000 of the 1988 SR91 bonds outstanding are considered defeased. In 2002, the County defeased \$4,720,000 in State Route 91 Water System Bonds (1992 issue) by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. At December 31, 2009, \$670,000 of the 1992 SR91 bonds outstanding are considered defeased. Accordingly, the trust account assets and the liability for both of these defeased bond issues are not included in the County's financial statements.

In 2005, the county issued \$17,871,000 in general obligation bonds and \$159,000 in special assessment bonds. The entire amount of the \$159,000 in special assessment bonds was issued to advance refund \$150,000 of existing 1991 water improvement bonds. Of the total amount of new general obligation bonds issued in 2005, \$636,000 was issued to advance refund \$615,000 of existing 1991 Forensic Crime Laboratory Bonds and \$1,735,000 was issued to advance refund \$1,665,000 of existing 1995 Human Services Center Bonds. This refunding was undertaken to reduce future debt service payments. The remaining portion of the general obligation bonds, \$15,500,000, was issued to retire short-term note debt which was issued to finance building improvements to the County Courthouse and the County Auditor's and County Treasurer's offices. Proceeds of \$2,541,577 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, 2009, \$1,175,000 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.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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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 primarily from user fees, although special assessments from customers retire some OWDA loans.

Other long-term obligations consist of an agreement with the City of Willoughby Hills whereby the County acquired various land and plant facilities from the City. In exchange, the County has agreed to pay directly to the City, when due, amounts sufficient to service the City's long-term debt funding requirements relating to the assets acquired. This obligation, amounting to \$405,140 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. An additional other long-term obligation is an interest-free loan from the Ohio Public Works Commission.

The compensated absence liability will be paid from the fund that the employees' salaries are paid. These funds include the following: General, MR & DD Board, Public Assistance, Children Services, Child Support Enforcement, Youth Services Grant, Felony Delinquent Care and Custody, Auto License and Gasoline Tax, Municipal Street Improvement and Construction, Engineer's Stormwater Maintenance, ADAMHS Board, Dog and Kennel, Narcotics Agency, Forensic Crime Laboratory, Emergency Management Agency, Prosecutor's 4-D, Prosecutor's Victim/Witness Assistance, Pilot Probation Grant, Emergency Planning, Domestic Relations Court 4-D, Juvenile Court IV-D, Certificate of Title Administration, Sheriff's Drug/Alcohol Treatment, Sheriff's Concealed Weapons, Telecommunications, Real Estate Assessment, Law Library, Hotel/Motel, Geographic Information System, Water, Wastewater, Solid Waste, Central Purchasing, Mailroom and Garage. Employees earn 15 days of sick leave per year. Upon retirement or resignation, employees with 5 years of service are compensated for unused sick leave based on the total number of hours accumulated and the County's conversion schedule. Vacation time is vested for employees after a minimum of one year of service. According to State law, vacation time may be accumulated up to 3 years. Unused vacation time, unpaid overtime and unused compensatory time are payable upon termination of employment. All sick, vacation and compensatory time payments are made at the employee's current wage rate.

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

The County has pledged future water and wastewater revenues to repay OWDA loans and OPWC loans. All of the debt is solely payable from net revenues and are payable through 2025. Annual principal and interest payments on the water debt are expected to require 2 percent of net revenue and 1 percent of total revenues. Annual principal and interest payments on the wastewater debt are expected to require 81 percent of net revenue and 28 percent of total revenues. The total principal and interest remaining to be paid on the water debt is \$161,537 and on the wastewater debt it is \$29,627,746. Principal and interest paid for the year for the water debt was \$3,610,434, total net revenues were \$6,773,702 and total revenues were \$16,528,154. Principal and interest paid for the year for the wastewater debt was \$4,071,271, total net revenues were \$5,191,267 and total revenues were \$15,161,538.

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, 2009, the County had an unvoted debt margin of \$47.1 million and a direct debt margin of \$147.6 million.

#### **Conduit Debt Obligations**

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2009, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$131,660,000.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE I – NOTES PAYABLE

A summary of note transactions for the year ended December 31, 2009 follows:

Year Issued	Purpose/Description	Interest Rate	Final Maturity	Balance January 1, 2009	Principal Issued in 2009	Principal Retired in 2009	Balance December 31, 2009
<u>GENERAL OBLIGATION NOTES PAYABLE:</u>							
2009	County Garage Purchase and Renovation	2.00%	2010	\$ 0	\$3,000,000	\$ 0	\$3,000,000
TOTAL GENERAL OBLIGATIONS NOTES				\$ 0	\$3,000,000	\$ 0	\$3,000,000
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS:</u>							
<u>Payable from Water Funds:</u>							
1991	Ohio Water & Sewer Rotary Commission		2011	\$ 23,427	\$ 0	\$ 0	\$ 23,427
2009	Water District Improvement Note 296W	1.125%	2010	0	550,000	0	550,000
2009	Water District Improvement Note 302W	1.125%	2010	0	1,000,000	0	1,000,000
Total Notes Payable From Water Funds				\$ 23,427	\$1,550,000	\$ 0	\$1,573,427
<u>Payable From Wastewater Funds:</u>							
2008	Sewer District Improvement Note 291S	2.50%	2009	450,000	0	450,000	0
2008	Sewer District Improvement Note 294S	2.50%	2009	900,000	0	900,000	0
2009	Sewer District Improvement Note 294S	1.50%	2010	0	720,000	0	720,000
2009	Sewer District Improvement Note 284S	1.50%	2010	0	5,220,000	0	5,220,000
2009	Sewer District Improvement Note 285S	1.125%	2010	0	150,000	0	150,000
2009	Sewer District Improvement Note 314S	1.125%	2010	0	1,650,000	0	1,650,000
Total Notes Payable From Wastewater Revenues				\$1,350,000	\$7,740,000	\$1,350,000	\$7,740,000

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE I – NOTES PAYABLE (CONTINUED)

A summary of note transactions for the year ended December 31, 2009 follows:

Year Issued	Purpose/Description	Interest Rate	Final Maturity	Balance January 1, 2009	Principal Issued in 2009	Principal Retired in 2009	Balance December 31, 2009
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS (Continued):</u>							
<u>Payable from Solid Waste Funds:</u>							
2008	Solid Waste District Area C4 Phase 4 Note	2.50%	2009	\$1,160,000	\$ 0	\$1,160,000	\$ 0
2009	Solid Waste District Area C4 Phase 4 Note	1.50%	2010	<u>0</u>	<u>960,000</u>	<u>0</u>	<u>960,000</u>
Total Notes Payable from Solidwaste Revenues				<u>\$1,160,000</u>	<u>\$ 960,000</u>	<u>\$1,160,000</u>	<u>\$ 960,000</u>
TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS				<u>\$2,533,427</u>	<u>\$10,250,000</u>	<u>\$2,510,000</u>	<u>\$10,273,427</u>

The general obligation note payable was issued to finance the purchase and renovation of a former auto dealership which is now being used to house the County's Vehicle Maintenance Department (Garage). A capital project fund accounts for this note and the financial transactions associated with this project.

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

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

##### Pension Benefits

*Plan Description* - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642, by calling (614) 222-5601 or (800) 222-7377 or by visiting the OPERS website at [www.opers.org](http://www.opers.org).

*Funding Policy* - For the year ended December 31, 2009, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10.00 percent of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.10 percent of their annual covered salary. The County's contribution rate for pension benefits for 2009 for non law enforcement members was 7.00 percent from January 1 through March 31, 2009 and 8.50 percent from April 1 through December 31, 2009. The County's contribution rate for pension benefits for 2009 for law enforcement members was 10.63 percent from January 1 through March 31, 2009 and 12.13 percent from April 1 through December 31, 2009. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$7,168,051, \$6,152,664, and \$7,489,855, respectively; 100 percent has been contributed for 2009, 2008, and 2007. Contributions to the member-directed plan for 2009 were \$218,567 made by the County and \$156,119 made by the plan members.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

##### Other Postemployment Benefits (OPEB)

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

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in OPERS financial report which may be obtained in writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The 2009 employer contribution rate for non law enforcement members was 14.00 percent for covered payroll; 7.00 percent was the portion that was used to fund health care from January 1 through March 31, 2009 and 5.50 percent from April 1 through December 31, 2009. The law enforcement employer rate for 2009 was 17.63 percent and 7.00 percent was used to fund health care from January 1 through March 31, 2009 and 5.50 percent from April 1 through December 31, 2009. The County's actual contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$5,042,952, \$6,024,030, and \$4,162,479, which were equal to the required contribution.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

##### Other Postemployment Benefits (OPEB) (Continued)

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2007, and January 1, 2008, and January 1, 2009 which have allowed additional funds to be allocated to the health care plan.

#### STATE TEACHERS RETIREMENT SYSTEM (STRS)

##### Pension Benefits

*Plan Description* - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling 1-888-227-7877 or by visiting the STRS Ohio website 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

##### Pension Benefits (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

*Funding Policy* - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for years ended December 31, 2009, 2008, and 2007 were \$74,868, \$77,448, and \$95,381, respectively; 100 percent has been contributed for fiscal year 2009, 2008 and 2007. Currently, all members are enrolled in the DB Plan.

##### Other Postemployment Benefits (OPEB)

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

*Funding Policy* - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contribution. For 2009, STSR Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal year ended June 30, 2009, 2008, and 2007, were \$5,348, \$5,958, and \$7,337, respectively, which equaled the required amount.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### NOTE K – PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2008 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009 lien date. Assessed values are established by State law at 35% of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009 and are collected in 2010 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 companies will be eliminated by calendar year 2011. 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 will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all County operations for the year ended December 31, 2009, was \$10.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$6,442,180,460
Public Utility Personal Property	342,160,100
Tangible Personal Property	<u>10,559,168</u>
Total Assessed Value	<u>\$6,794,899,728</u>

# **LAKE COUNTY, OHIO**

## ***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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### **NOTE K – PROPERTY TAX REVENUES (CONTINUED)**

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property tax receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 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 2009 operations. The receivable is therefore offset by a credit to deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### NOTE L – RECEIVABLES AND INTERGOVERNMENTAL REVENUES

Receivables at December 31, 2009, consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, accrued interest and intergovernmental receivables arising from grants and entitlements. All receivables are considered fully collectible, including accounts receivable which, if delinquent may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Special assessments expected to be collected in more than one year amount to \$11,331,154 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$61,893.

A summary of the principal items of intergovernmental revenues are as follows:

#### GENERAL FUND

Homestead and Rollbacks	\$1,943,478
Ohio Local Government Fund Distribution	1,817,928
State Property Tax Reimbursement	957,674
Utility Deregulation Reimbursement	730,980
State Public Defender Reimbursement	621,334
Juvenile Group/Detention Home Subsidies	251,886
Board of Elections Reimbursements	135,641
Sheriff's Grants & Reimbursements	43,985
Mental Health Grant	42,419
Local Airport Grant	35,000
Miscellaneous Reimbursements	<u>17,087</u>
Total – General Fund	<u>\$6,597,412</u>

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE L – RECEIVABLES AND INTERGOVERNMENTAL REVENUES (CONTINUED)

#### SPECIAL REVENUE FUNDS

Federal and State Mental Retardation Grants	\$16,610,146
Federal and State Public Assistance Grants and Reimbursements	15,405,072
Federal and State Mental Health Grants	9,216,244
State Transportation Taxes	9,299,348
Homestead and Rollbacks	4,105,941
State Property Tax Reimbursement	3,672,915
Community and Economic Development Grants	3,156,702
Child Support Enforcement Incentives	2,872,603
Utility Deregulation Reimbursement	2,703,042
Federal and State Children's Services Grants and Reimbursements	1,713,197
Public Safety Grants and Reimbursement	856,268
Community Corrections Grant	749,430
State Probation Grants	546,871
Youth Services Grant	320,395
Prosecutor's Victims Assistance Grant	252,398
Drug/Alcohol Grants	198,639
Communication System Subsidies	<u>12,150</u>
Total – Special Revenue Funds	<u>71,691,361</u>

#### CAPITAL PROJECT FUNDS

Communication System Grants	480,000
Transportation Grants	<u>314,712</u>
Total – Capital Project Funds	<u>794,712</u>

TOTAL INTERGOVERNMENTAL REVENUES \$79,083,485

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009, consisted of the following:

TRANSFERS FROM	TRANSFERS TO					TOTALS
	GENERAL FUND	NONMAJOR SPECIAL REVENUE	NONMAJOR DEBT SERVICE	NONMAJOR CAPITAL PROJECTS	NONMAJOR INTERNAL SERVICE	
General	\$ 0	\$1,034,966	\$3,521,963	\$ 0	\$570,000	\$5,126,929
Water	0	50,000	0	0	0	50,000
Nonmajor Special Revenue	0	3,947,366	225,185	304,343	0	4,476,894
Nonmajor Capital Project	<u>910,838</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>910,838</u>
Totals	<u>\$910,838</u>	<u>\$5,032,332</u>	<u>\$3,747,148</u>	<u>\$304,343</u>	<u>\$570,000</u>	<u>\$10,564,661</u>

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

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### NOTE N – ENCUMBRANCES

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

At December 31, 2009, encumbrances outstanding in governmental funds and proprietary funds which were reappropriated in the 2010 budget were:

General Fund	\$ 188,610
MR & DD	196,878
ADAMHS	189,017
Non-Major Special Revenue Funds	1,588,441
Non-Major Capital Projects Funds	575,281
Enterprise Funds	131,615
Non-Major Internal Service Funds	<u>25,227</u>
Total	<u>\$2,895,069</u>

On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2009, encumbrances less these accrued liabilities were:

General Fund	\$ 147,558
MR & DD	172,268
ADAMHS	64,019
Non-Major Special Revenue Funds	1,325,679
Non-Major Capital Projects Funds	540,190
Enterprise Funds	48,776
Non-Major Internal Service Funds	<u>21,663</u>
Total	<u>\$2,320,153</u>

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### NOTE O – CONTINGENCIES, JUDGEMENTS AND CLAIMS

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

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

# **LAKE COUNTY, OHIO**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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### **NOTE P – LANDFILL CLOSURE AND POSTCLOSURE COSTS**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. The \$17.3 million reported as landfill closure and post closure care liability at December 31, 2009, represents the cumulative amount reported to date based on the use of 82% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$5.1 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 2009. The County expects to close the landfill in the year 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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### **NOTE Q – RELATED PARTY TRANSACTIONS**

During 2009, 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 \$66,755 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.

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### **NOTE R – SUBSEQUENT EVENT**

On April 6, 2010, the County issued \$3,000,000 in short-term general obligation notes to retire short term notes issued in 2009. The 2009 notes were issued to finance the acquisition of a former automobile dealership building that is now being utilized as the County's Vehicle Maintenance (Garage) Building. The 2010 note issue has an interest rate of 1.0 percent and matures on October 6, 2010.

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 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 2009 as compared to the previous year. Insurance premiums paid to private carriers during 2009 were approximately \$0.9 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 \$168,010 and dental claims of \$23,986, have been accrued based upon a review of the January, 2010 billings provided by the County Commissioners' Office.

The total claims liability of \$191,996 reported in the internal service fund at December 31, 2009, is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of cost relating to incurred but not reported claims, be reported. The estimates were not affected by incremental claims adjustments expenses and do not include other allocated or unallocated claims adjustment expenses. Changes in the funds claims liability amounts for the last three fiscal years were:

	Balance at Beginning Of Year	Current Year Claims	Claim Payments	Balance at End of Year
<u>Prescription</u>				
2007	\$83,261	\$2,371,950	\$2,405,241	\$ 49,970
2008	49,970	2,891,011	2,813,962	127,019
2009	127,019	3,201,903	3,160,912	168,010
<u>Dental</u>				
2007	14,280	613,045	623,277	4,048
2008	4,048	616,553	591,362	29,239
2009	29,239	628,834	634,087	23,986

# LAKE COUNTY, OHIO

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **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 2009 was \$864,606.

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### **NOTE U – DEFICIT FUND BALANCES/NET ASSETS**

At December 31, 2009, the following funds had deficit fund balances/net assets:

Juvenile Court Computerization	\$ 118,661
County Garage Purchase and Renovation	2,644,363
Garage	72,209

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

The deficit in the County Garage Purchase and Renovation Fund is due to the recognition, on a modified accrual basis of accounting, of a liability amount applicable to bond anticipation notes payable. This deficit will be eliminated once the notes are retired or bonds are reissued.

The deficit in the Garage Fund is the result of recognizing expenses on the accrual basis of accounting. The deficit did not exist on the cash basis of accounting. The General Fund provides operating transfers to this fund when cash is required, not when accruals occur.

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

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**LAKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Project/Grant Number</b>	<b>CFDA</b>		
		<b>Number</b>	<b>Disbursements</b>	
			<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U. S. Department of Agriculture</b>				
<i>Passed Through The Ohio Department of Education:</i>				
School Breakfast Program	N/A	10.553	\$36,189	\$0
National School Lunch Program	N/A	10.555	22,854	1,433
Total Breakfast and Lunch Programs			59,043	1,433
Food Assistance Employment Training	JFSFF109	10.561	118	0
Food Stamps	JFSFFB09	10.561	524,108	0
Food Stamps	JFSFFB10	10.561	169,330	0
ARRA - Supplemental Nutrition Assistance Program	JFSFFB09S	10.561	60,461	0
Total CFDA #10.561			754,017	0
Total U. S. Department of Agriculture			813,060	1,433
<b>U. S. Department of Education</b>				
<i>Passed Through The Ohio Department of Education:</i>				
<b>Special Education Cluster:</b>				
Special Education: Grants to States	070037-6BSF-2009P	84.027	63,282	0
Special Education: Grants to States	070037-6BSF-2010P	84.027	7,611	0
Subtotal CFDA #84.027			70,893	0
Special Education: Preschool Grants	070037-PGS1-2009P	84.173	14,532	0
Special Education: Preschool Grants	USAS FUND 587	84.173	225	0
Special Education: Preschool Grants	070037-PGS1-2010P	84.173	1,639	0
Subtotal CFDA #84.173			16,396	0
ARRA - Special Education: Preschool Grant	N/A	84.392	463	0
Total Special Education Cluster			87,752	0
Innovative Education Program Strategies (Title VI)	070037-C2S1-2009P	84.298	63	0
Total U.S. Department of Education			87,815	0
<b>U. S. Department of Homeland Security</b>				
<i>Passed Through The Ohio Emergency Management Agency:</i>				
Buffer Zone Protection Program	2007-BZ-T7-0048	97.078	1,265	0
Emergency Management Performance Grant	DPSFE122	97.042	44,567	0
Emergency Management Performance Grant	DPSFE138	97.042	33,019	0
Subtotal CFDA #97.042			77,586	0
ODP Citizens Corps Program Grant	DPSFE104	97.067	4,468	0
State Homeland Security Program	E102	97.067	50,812	0
State Homeland Security Program	E130	97.067	11,958	0
Law Enforcement Terrorism Prevention	12825	97.067	50,511	0
Subtotal CFDA #97.067			117,749	0
Law Enforcement Terrorism Prevention - 2006	S07-LETPP6-43-0214	97.074	5,788	0
Total U. S. Department of Homeland Security			202,388	0
<b>U. S. Department of Housing and Urban Development</b>				
<i>Direct Programs:</i>				
Community Development Block Grants/Entitlements	B-08-UC-390005	14.218	578,891	0
Community Development Block Grants/Entitlements	B-07-UC-390007	14.218	680,972	0
Community Development Block Grants/Entitlements	B-08-UC-390007	14.218	431,240	0
Subtotal CFDA #14.218			1,691,103	0
Home Investment Partnerships Program	M-05-UC-390201	14.239	5,000	0
Home Investment Partnerships Program	M-06-UC-390201	14.239	181,742	0
Home Investment Partnerships Program	M-07-UC-390201	14.239	136,119	0
Home Investment Partnerships Program	M-08-UC-390201	14.239	100,368	0
Home Investment Partnerships Program	M-99-UC-390201	14.239	1,200	0
Home Investment Partnerships Program	M-01-UC-390201	14.239	57,770	0
Subtotal CFDA #14.239			482,199	0
Total U.S. Department of Housing and Urban Development			2,173,302	0

(Continued)

**LAKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Project/Grant Number</b>	<b>CFDA</b>		
		<b>Number</b>	<b>Disbursements</b>	
			<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. Federal Highway Administration</b>				
<i>Passed Through The Ohio Department of Transportation:</i>				
Highway Planning and Construction	N/A	20.205	\$541,520	\$0
Total U.S. Federal Highway Administration			541,520	0
<b>U. S. Department of Labor</b>				
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>				
<i>Passed Through Area 5 Workforce Investment Board:</i>				
One Stop Resource Sharing	JFSFES09	17.207	10,714	0
<b>Workforce Investment Act (WIA) Cluster:</b>				
WIA Adult Programs (SFY 09) - Administrative	JFSAF08	17.258	29,630	0
WIA Adult Programs (SFY 09) - Administrative	JFSFAF09	17.258	2,071	0
WIA Adult Programs (SFY 08)	JFSFAP08	17.258	19,379	0
WIA Adult Programs (SFY 09)	JFSFAF09	17.258	226,498	0
WIA Adult Programs (SFY 09)	JFSFAF09	17.258	90,939	0
WIA Adult Programs (SFY 10)	JFSFAF10	17.258	128,421	0
One Stop Resource Sharing	JFSFW09	17.258	55	0
AARA - WIA Adult Programs	JFSFAF09S/JFSFAF10S	17.258	235,671	0
Subtotal CFDA #17.258			732,664	0
WIA Youth Programs (SFY 08)	JFSFY08	17.259	205,906	0
WIA Youth Programs (SFY 09)	JFSFY09	17.259	220,702	0
WIA Youth Programs (SFY 09) - Administrative	JFSFY09	17.259	20,435	0
AARA - WIA Youth Programs	JFSFY09S	17.259	600,027	0
Subtotal CFDA #17.259			1,047,070	0
WIA Dislocated Workers (SFY 08) - Administrative	JFSFDP08	17.260	2,071	0
WIA Dislocated Workers (SFY 09)	JFSFDP09	17.260	342,387	0
WIA Dislocated Workers (SFY 10)	JFSFDP10	17.260	78,897	0
WIA Dislocated Workers (SFY 08)	JFSFDP08	17.260	28,789	0
WIA Dislocated Workers (SFY 09)	JFSFDP09	17.260	107,160	0
AARA - WIA Dislocated Workers	JFSFY09S	17.260	338,715	0
WIA - Rapid Response (SFY 09)	JFSFDF09	17.260	13,669	0
ARRA - Rapid Response	JFSFDF09S	17.260	1,770	0
Career Advancement Account	JFSFDF09	17.260	7,000	0
Subtotal CFDA #17.260			920,458	0
Total WIA Cluster			2,700,192	0
Career Advancement Account	JFSFN143	17.261	7,000	0
One Stop Sharing	JFSFVD09	17.801	2,952	0
One Stop Sharing	JFSFVL10	17.804	139	0
Total U. S. Department of Labor			2,720,997	0
<b>U. S. Department of Justice</b>				
<i>Passed Through The Ohio Office of Criminal Justice Services:</i>				
Violence Against Women Assistance	2008-WF-VA5-8211	16.588	40,703	0
Violence Against Women Assistance	2006-WF-VA5-8211A	16.588	4,370	0
Subtotal CFDA #16.588			45,073	0
Justice Assistance Grant	2008-JG-A01-6447	16.738	40,440	0

(Continued)

**LAKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Project/Grant Number	CFDA		Non-Cash
		Number	Disbursements	Disbursements
Forensic DNA Capacity Enhancement Program	2007-DN-BX-K031	16.741	\$24,961	\$0
Laboratory Employees Training	2008-PC-NFS-7802	16.742	18,872	0
Laboratory Employees Training	2009-PC-NFS-7802	16.742	1,320	0
Paul Coverdell Forensic Science Improvement Grant	2008-CD-BX-0054	16.742	55,335	0
Subtotal CFDA #16.742			75,527	0
Total Ohio Office of Criminal Justice Services			186,001	0
<i>Passed Through The Ohio Attorney General's Office:</i>				
Crime Victims Assistance	2008VAGENE039T	16.575	97,661	0
Crime Victims Assistance	2010VAGENE039T	16.575	37,765	0
Total Ohio Attorney General's Office			135,426	0
<i>Passed Through The Ohio Department of Youth Services:</i>				
Juvenile Accountability Incentive Block Grant	2008-JB-002-A002	16.523	16,200	0
Total Ohio Department of Youth Services			16,200	0
Total U.S. Department of Justice			337,627	0
<b><u>U. S. Department of Health and Human Services</u></b>				
<i>Direct Program:</i>				
Supplemental Security Income	N/A	96.006	1,750	0
<i>Passed Through The Ohio Department of Alcohol &amp; Drug Addiction Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse:				
ADA Per Capita (SFY 09)	BG43	93.959	284,076	0
ADA Per Capita (SFY 10)	BG43	93.959	227,931	0
ADA Women's Set Aside (SFY 09)	43-01316-WOMEN-T-09-9013	93.959	34,576	0
ADA Women's Set Aside (SFY 10)	43-01316-WOMEN-T-10-9013	93.959	21,966	0
TANF Prevention (SFY 09)	N/A	93.959	16,042	0
Subtotal CFDA #93.959			584,591	0
Medicaid (ADA) 2009	N/A	93.778	614,774	0
ARRA-Medicaid (ADA) 2009	N/A	93.778	76,833	0
Subtotal CFDA #93.778			691,607	0
Star - SI - (SFY09)	1-UD1T1017621-03	93.243	11,965	0
Total Ohio Department of Alcohol & Drug Addiction Services			1,288,163	0
<i>Passed Through The Ohio Department of Mental Health:</i>				
Project for Assistance Transition from Homelessness (SFY09)	N/A	93.150	20,833	0
Project for Assistance Transition from Homelessness (SFY10)	N/A	93.150	16,667	0
Subtotal CFDA #93.150			37,500	0
FAST Grant (SFY 09)	N/A	93.556	14,002	0
Incredible Years (SFY 09)	N/A	93.556	3,100	0
Early Childhood Initiative (SFY 10)	N/A	93.556	8,912	0
Subtotal CFDA #93.556			26,014	0
Block Grants for Community Mental Health Services:				
Mental Health Block Grant - (SFY 2009)	N/A	93.958	39,203	0
Mental Health Block Grant - (SFY 2010)	N/A	93.958	12,608	0
Subtotal CFDA #93.958			51,811	0

(Continued)

LAKE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Project/Grant Number	CFDA		Non-Cash
		Number	Disbursements	Disbursements
Social Services Block Grant - (SFY 2009)	N/A	93.667	\$57,916	\$0
Social Services Block Grant - (SFY 2010)	N/A	93.667	38,294	0
Subtotal CFDA #93.667			96,210	0
Medical Assistance Program (MH) 2009	N/A	93.778	4,811,133	0
ARRA - Medical Assistance Program (MH) 2009	N/A	93.778	640,565	0
Medical Assistance Program (OBRA/PASSAR) 2009	N/A	93.778	5,799	0
Subtotal CFDA #93.778			5,457,497	0
Total Ohio Department of Mental Health			5,669,032	0
<i>Passed Through The Ohio Department of MRDD:</i>				
Social Services Block Grant (Title XX) 2009	N/A	93.667	133,832	0
AARA - Medical Assistance Program 2009	N/A	93.778	478,572	0
Medicaid Administrative Claims 2009	N/A	93.778	58,839	0
Subtotal CFDA #93.778			537,411	0
Total Ohio Department of MRDD			671,243	0
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>				
Abuse and Neglect	JFSFSTFO09	93.669	2,000	0
Chaffe Foster Care Independence Program	JFSFIL09	93.674	4,676	0
Chaffe Foster Care Independence Program	JFSFIL09	93.674	3,560	0
Chaffe Foster Care Independence Program	JFSFIL10	93.674	1,295	0
Subtotal CFDA #93.674			9,531	0
Child Welfare Services- IV-B	JFSFCW09	93.645	15,720	0
Child Welfare Services- IV-B	JFSFCW10	93.645	48,442	0
IV-B Administrative	JFSFCW09	93.645	1,501	0
IV-B - Adoption	JFSFCW10	93.645	4,632	0
IV-B - Adoption - Match	JFSFCW09	93.645	478	0
Subtotal CFDA #93.645			70,773	0
Child Welfare Services- ESSA Preservation - Operations	JFSFPF09	93.556	1,272	0
Child Welfare Services- ESSA Preservation - Operations	JFSFPF09	93.556	1,718	0
Child Welfare Services- ESSA Preservation - Services	JFSFPF09	93.556	5,190	0
Child Welfare Services- ESSA Preservation - Services	JFSFPF10	93.556	4,391	0
Child Welfare Services- ESSA Preservation -Operations	JFSFPF10	93.556	5,154	0
Child Welfare Services- ESSA Reunification -Operations	JFSFPF09	93.556	1,116	0
Child Welfare Services- ESSA Reunification -Operations	JFSFPF10	93.556	1,436	0
Child Welfare Services- ESSA Reunification -Operations	JFSFPF10	93.556	4,308	0
Caseworker Visits - Administrative	JFSFMC09	93.556	99	0
Caseworker Visits	JFSFMC09	93.556	894	0
Caseworker Visits	JFSFMC10	93.556	2,683	0
Caseworker Visits - Administrative	JFSFMC10	93.556	298	0
Post Adoption Special Services	JFSFPF10	93.556	2,880	0
Post Adoption Special Services	JFSSSTF010	93.556	8,986	0
Subtotal CFDA #93.556			40,425	0
Adopt Ohio Kids	JFSFTF08	93.558	0	0
Adopt Ohio Kids	JFSFTF09	93.558	9,850	0
Independent Living	JFSFTF09	93.558	996	0
Kinship Permanency	JFSOLOCL09	93.558	15,500	0
Kinship Permanency	JFSOLOCL10	93.558	10,600	0

(Continued)

LAKE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Project/Grant Number	CFDA		Non-Cash
		Number	Disbursements	Disbursements
TANF - Administrative	JFSFTF09	93.558	\$70,875	\$0
TANF - Administrative	JFSFTF10	93.558	83,005	0
TANF	JFSFTF08	93.558	350,000	0
TANF	JFSFTF09	93.558	1,495,662	0
TANF	JFSFTF10	93.558	356,955	0
Help Me Grow	JFSFTF08	93.558	20,613	0
Help Me Grow	JFSFTF09	93.558	348,828	0
Subtotal CFDA #93.558			2,762,884	0
Child Care Services	JFSFCD09	93.575	1,045,770	0
Child Care Services - TANF Transfer	JFSFTF08	93.558	2,698,757	0
Quality Child Care Services	JFSFCD08	93.575	3,377	0
Quality Child Care Services	JFSFCD09	93.575	9,494	0
Quality Child Care Services	JFSFCD10	93.575	2,464	0
Subtotal CFDA #93.575			3,759,862	0
Child Care Services (CCDF)	JFSFCM09	93.596	105,136	0
Child Care Services (CCDF)	JFSFCM10	93.596	1,690,125	0
Child Care - Administrative	JFSFCM09	93.596	117,310	0
Child Care - Administrative	JFSFCM09	93.596	33,922	0
Child Care	JFSFCD09	93.596	50,433	0
Child Care	JFSFCD10	93.596	89,654	0
Quality Child Care	JFSFCD08	93.596	3,377	0
Subtotal CFDA #93.596			2,089,957	0
ARRA - Child Care Services	JFSFFB09S	93.713	600,000	0
Total Child Care Cluster			6,449,819	0
IV-E Administrative/Training (FCM)	JFSFFC10	93.658	153,767	0
IV-E Administrative/Training (AA)	JFSFAA10	93.659	736,006	0
Non-reoccurring Adoption	JFSFAA09	93.659	4,312	0
ARRA - Adoption Assistance	JFSFAA09S	93.659	6,340	0
Subtotal CFDA #93.659			746,658	0
IV-D Service Grant- Domestic Relations 2009	N/A	93.563	201,903	0
IV-D Service Grant- Juvenile 2009	N/A	93.563	187,451	0
Federal Child Support	JFSFCS09	93.563	448,596	0
Federal Child Support	JFSFCS09	93.563	385,073	0
Federal Child Support	JFSFCS09	93.563	498,147	0
Federal Child Support	JFSFCS09	93.563	476,253	0
ARRA - Child Support Enforcement	JFSFCS09S	93.563	499,989	0
Subtotal CFDA #93.563			2,697,412	0
Title XX Base	JFSFSS09	93.667	299,396	0
Title XX Base	JFSFSS10	93.667	89,482	0
Title XX - TANF Transfer	JFSFTX09	93.667	256,410	0
Title XX - TANF Transfer	JFSFTX09	93.667	185,701	0
Title XX - TANF Transfer	JFSFTX10	93.667	185,701	0
Subtotal CFDA #93.667			1,016,690	0
Medicaid	JFSFMT09	93.778	371,915	0
Medicaid	JFSFMT10	93.778	134,472	0
Non-Emergency Transportation	JFSFMT09	93.778	143,518	0
Non-Emergency Transportation	JFSFMT10	93.778	83,969	0
Subtotal CFDA #93.778			733,874	0
Total Ohio Department of Jobs and Family Services			14,683,833	0
<i>Passed Through The Ohio Department of Health:</i>				
VAWA Rape Prevention	43-1-002-4-VW-01-09	93.136	54,898	0
VAWA Rape Prevention	43-1-002-4-VW-03-10	93.136	7,554	0
Subtotal CFDA #93.136			62,452	0
Total Ohio Department of Health			62,452	0

(Continued)

LAKE COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Project/Grant Number</b>	<b>CFDA</b>		<b>Non-Cash</b>
		<b>Number</b>	<b>Disbursements</b>	<b>Disbursements</b>
<i>Passed Through the Ohio Secretary of State</i>				
Help America Vote - Poll Worker Training Grant 2009	N/A	93.167	\$5,894	\$0
Total Ohio Secretary of State			5,894	0
Total U.S. Department of Health and Human Services			22,382,367	0
<b><u>U.S. Department of Commerce</u></b>				
Direct Program:				
Public Safety Interoperable Communications Grant	N/A	11.555	480,000	0
Total U.S. Department of Commerce			480,000	0
<b><u>U. S. Department of Defense</u></b>				
Direct Program:				
U.S Army Corps of Engineers	N/A	12.XXX	364,840	0
Total U.S. Department of Defense			364,840	0
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b>\$30,103,916</b>	<b>\$1,433</b>

See Notes to the Schedule of Federal Awards Expenditures

**LAKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Lake County's (the County) federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

The County passes certain federal awards received from U.S. Department of Housing and Urban Development and U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As Note A 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 C - 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 D – FOOD DONATION PROGRAM**

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

**NOTE E - MATCHING REQUIREMENTS**

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

**NOTE F – TRANSFER BETWEEN PROGRAM**

According to Federal regulations, States (not Tribes) may transfer a limited amount of Federal Temporary Assistance for Needy Families (TANF) funds into the Social Services Block Grant (SSBG) (Title XX) (CFDA 93.667) and the Child Care and Development Block Grant (CCDBG) (CFDA 93.575). The County was affected by this change in 2009, which resulted in \$627,812 being transferred from the TANF program to the SSBG and \$2,698,757 was transferred from the TANF program to CCDBG.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Lake County, Ohio (the County) as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of Deepwood Industries Incorporated, one of the County's discretely presented component units, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors' separately reported.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated June 25, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 25, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

#### Compliance

We have audited the compliance of Lake County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Lake County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009.

#### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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*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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the audit committee, the Board of County Commissioners, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

June 25, 2010

**LAKE COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2009**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses 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 internal control weaknesses 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>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 93.778-Medical Assistance Program; CFDA # 10.561- Food Stamp (SNAP); CFDA # 98.558- Temporary Assistance for Needy Families; CFDA # 93.563- Child Support Enforcement; CFDA # 93.575, 93.596 & 93.713- Child Care Cluster; CFDA # 93.667 Social Services Block Grant.; and CFDA # 17.258, 17.259, 17.260 Workforce Investment Act Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 903,160 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**LAKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2009  
(Continued)**

**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



**Mary Taylor, CPA**  
Auditor of State

**FINANCIAL CONDITION**

**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  
JULY 15, 2010**