



Dave Yost • Auditor of State

LAKE COUNTY
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Dave Yost • 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, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County), as of and for the year ended December 31, 2011, 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 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Developmental Disabilities, and Alcohol Drug Addiction and Mental Health Service Board (ADAMHS) Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note C, the County adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which resulted in restating the December 31, 2010 Fund Balance in the General Fund and Non-major Governmental Funds due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2013, 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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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

May 15, 2013

Lake County, Ohio

*Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited*

The discussion and analysis of Lake County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011. 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 2011 are as follows:

In total, net assets increased \$5,310,889. Net assets of governmental activities decreased \$860,171, which represents a less than 1 percent decrease from 2010. Net assets of business-type activities increased \$6,171,060 or 3.4 percent from 2010.

General revenues accounted for \$93,877,364 in revenue or 44.8 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$115,466,472 or 55.2 percent of total revenues of \$209,343,836.

Total assets of governmental activities decreased by \$1,270,330, while total assets of business-type activities increased by \$5,391,446.

The County had \$170,007,217 in expenses related to governmental activities; only \$76,070,461 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$92,976,585 were nearly sufficient to offset the remainder of the total expenses, thus resulting in the slight net asset decrease disclosed above.

The total of the County's long-term debt, short-term debt and compensated absences decreased by \$4,728,284 during 2011.

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

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

Reporting the County as a Whole

Statement of Net 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 2011?" 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 Districts.
- **Business-Type Activities** – These services have a charge based upon the amount of usage. The County charges fees to recoup the cost of the entire operation of its Water, Wastewater and Solid Waste 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 Developmental Disabilities Board, provides a comprehensive program of services, including employment for developmentally disabled citizens. The Port Authority was created during 2007 for the purpose of promoting projects that will provide for the creation of jobs and employment opportunities and improve the economic welfare of the people residing in Lake County. The Port Authority has a seven member Board of Directors. The component units are separate and may buy, sell, lease and mortgage property in their own name and can sue or be sued in their own name.

Reporting on the County's Most Significant Funds

Fund Financial Statements

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

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

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

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

Lake County, Ohio

*Management's Discussion and Analysis
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reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 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 Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-84 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 2011 compared to 2010:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$ 162,256,713	\$ 169,475,192	\$ 48,784,729	\$ 44,391,214	\$ 211,041,442	\$ 213,866,406
Capital Assets	<u>154,392,451</u>	<u>148,444,302</u>	<u>196,403,738</u>	<u>195,405,807</u>	<u>350,796,189</u>	<u>343,850,109</u>
Total Assets	<u>316,649,164</u>	<u>317,919,494</u>	<u>245,188,467</u>	<u>239,797,021</u>	<u>561,837,631</u>	<u>557,716,515</u>
Liabilities						
Long Term Liabilities	38,246,683	38,028,245	42,596,237	43,429,532	80,842,920	81,457,777
Other Liabilities	<u>61,572,616</u>	<u>62,201,213</u>	<u>14,203,534</u>	<u>14,149,853</u>	<u>75,776,150</u>	<u>76,351,066</u>
Total Liabilities	<u>99,819,299</u>	<u>100,229,458</u>	<u>56,799,771</u>	<u>57,579,385</u>	<u>156,619,070</u>	<u>157,808,843</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	128,144,058	127,745,311	167,489,957	163,335,363	295,634,015	291,080,674
Restricted for:						
Debt Service	1,110,698	977,635			1,110,698	977,635
Capital Projects	8,162,057	5,085,815			8,162,057	5,085,815
Other Purposes	60,497,101	64,288,978			60,497,101	64,288,978
Unrestricted	<u>18,915,951</u>	<u>19,592,297</u>	<u>20,898,739</u>	<u>18,882,273</u>	<u>39,814,690</u>	<u>38,474,570</u>
Total Net Assets	<u>\$ 216,829,865</u>	<u>\$ 217,690,036</u>	<u>\$ 188,388,696</u>	<u>\$ 182,217,636</u>	<u>\$ 405,218,561</u>	<u>\$ 399,907,672</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 \$405,218,561 (\$216,829,865 in governmental activities and \$188,388,696 in business type activities) as of December 31, 2011.

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A large portion of the County's net assets \$295,634,015 (73.0 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, \$69,769,856 (17.2 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of \$39,814,690 (9.8 percent), of unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2011, 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 2010.

Total assets increased \$4,121,116 which represented a 0.7 percent increase over 2010. Total assets of governmental activities decreased \$1,270,330 primarily due to a decrease in grants receivable of \$9.5 million. This was offset by a \$5.9 million increase in capital assets, a \$1.8 million increase in taxes receivable and a \$1.9 million increase in equity in pooled cash and cash equivalents. Total assets of business-type activities increased \$5.4 million primarily due to a \$4.0 million increase in equity in pooled cash and cash equivalents and a \$1.0 million increase in capital assets.

Table 2 shows the changes in net assets for the years ended December 31, 2011 and 2010.

Lake County, Ohio

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Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	\$17,865,430	\$20,033,464	\$38,930,268	\$38,508,039	\$56,795,698	\$58,541,503
Operating Grants and Contributions	54,950,319	70,340,808			54,950,319	70,340,808
Capital Grant and Contributions	3,254,712	11,365,649	465,743	1,875,605	3,720,455	13,241,254
Total Program Revenues	76,070,461	101,739,921	39,396,011	40,383,644	115,466,472	142,123,565
General Revenues:						
Property Taxes	53,913,429	47,326,051			53,913,429	47,326,051
Sales Tax	13,984,233	14,692,338			13,984,233	14,692,338
Conveyance Tax	1,985,556	1,997,375			1,985,556	1,997,375
Lodging Tax	812,277	662,392			812,277	662,392
Grants and Entitlements						
not Restricted	11,124,851	3,883,648			11,124,851	3,883,648
Interest	1,672,427	1,881,176	15,251	1,449	1,687,678	1,882,625
Other	9,483,812	9,261,515	885,528	546,409	10,369,340	9,807,924
Total General Revenues	92,976,585	79,704,495	900,779	547,858	93,877,364	80,252,353
Total Revenues	169,047,046	181,444,416	40,296,790	40,931,502	209,343,836	222,375,918
Program Expenses						
General Government	17,879,489	18,863,482			17,879,489	18,863,482
Judicial and Public Safety	41,323,303	44,860,027			41,323,303	44,860,027
Public Works	14,334,947	12,112,329			14,334,947	12,112,329
Human Services	66,694,639	71,236,914			66,694,639	71,236,914
Health	24,300,627	24,273,237			24,300,627	24,273,237
Community & Econ. Development	4,262,605	3,844,525			4,262,605	3,844,525
Interest and Fiscal Charges	1,211,607	1,365,345			1,211,607	1,365,345
Water District			11,878,439	12,761,089	11,878,439	12,761,089
Wastewater District			15,252,580	15,397,365	15,252,580	15,397,365
Solid Waste District			6,894,711	6,677,274	6,894,711	6,677,274
Total Program Expenses	170,007,217	176,555,859	34,025,730	34,835,728	204,032,947	211,391,587
Increase (Decrease) in Net Assets Before Transfers						
	(960,171)	4,888,557	6,271,060	6,095,774	5,310,889	10,984,331
Transfers						
	100,000	50,000	(100,000)	(50,000)	0	0
Change in Net Assets	(860,171)	4,938,557	6,171,060	6,045,774	5,310,889	10,984,331
Net Assets - January 1	217,690,036	212,751,479	182,217,636	176,171,862	399,907,672	388,923,341
Net Assets - December 31	\$216,829,865	\$217,690,036	\$188,388,696	\$182,217,636	\$405,218,561	\$399,907,672

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Total governmental activities expenses decreased from \$176,555,859 in 2010 to \$170,007,217 in 2011. Of the total \$170 million in governmental activities expenses, \$17,865,430 was covered by direct charges to users of the services. A significant portion of those charges are for fees charged for the collection of property taxes throughout the County, fines and forfeitures related to judicial activity, licenses and permits associated with building inspectors, recording fees for deeds and title fees. Judicial and public safety charges for services include fees for prisoner housing and fines and forfeitures related to judicial activity. Human service charges for services include those provided to clients of the DD Board and the Childrens Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions decreased from \$70,340,808 in 2010 to \$54,950,319 in 2011 due to a decrease in grants received and the allocation of homestead and rollback. Property taxes increased by 13.9 percent as compared to 2010 due to a Developmental Disability replacement levy that was passed in 2010 and started to be collected in 2011. Real estate conveyance taxes continued decreasing as they have in the last few years due to the continued nationwide slump in the real estate sales market. Interest revenue decreased by \$0.2 million, or 10.6 percent, from the prior year. This reflects the continued nationwide decrease in investment interest rates during 2011 as compared to several years ago. Charges for services to users in the business-type activities amounted to \$38,930,268 and an additional \$465,743 was received during the year for grants and contributions for capital expenses. These two revenue sources more than offset the \$34,025,730 in operating expenses for business-type activities.

The human services program is the largest program and accounted for \$66,694,639 of expenses for governmental activities, or 39.2 percent of that total. The activity of the County's DD Board comprises more than half of the expenditure total for this program. Expenses in the human services program decreased by \$4.5 million, which was primarily due to the State of Ohio taking over the payment of daycare providers during 2011. This function was previously been handled by the Job and Family Services Department in prior years. In addition, expenditures for the DD Board were reduced in 2011 as compared to 2010 because the Board did not have to pay their local share on waivers during the year. The judicial and public safety program and the general government program account for the largest number of departments and between these two functions, expenditures decreased \$4.5 million in 2011 as compared to 2010, primarily due to budgetary cuts within the County General Fund due to reductions in revenue sources. The public works program accounts for the maintenance and repairs of County roads and bridges. The majority of the health program is the activity of the ADAMHS Board as well as the operations of the Dog Warden. The community and economic development program primarily accounts for federal and state grants related to housing rehabilitation, business development and other community projects. This program realized increase in expenses of \$0.5 million due to an increase in federal grants for housing community reinvestment. Interest and fiscal charges on debt amounted to \$1.2 million in 2011, which was 11.2 percent decrease from 2010.

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$83,886,780. \$7,033,043 of this total amount constitutes unassigned fund balance, which is available for appropriation at the County's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is either non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,320,851 while the total fund balance was \$12,944,578. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 15.2 percent of total General Fund expenditures, while total fund balance represents 26.9 percent of that same amount.

The fund balance of the County's General Fund decreased by \$1.9 million during the current fiscal year. Overall General Fund revenues increased in 2011 by \$2.4 million as compared to the previous year. The primary reasons for this increase are increases in taxes, fees and charges for services, licenses and permits and miscellaneous revenue. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$3.8 million during 2011.

With respect to the fund balances of the other major governmental funds, the DD Board Fund increased by \$3.2 million primarily due to an increase in property tax revenue due to a replacement levy that was passed in 2010 and started to be collected in 2011. The fund balance of the ADAMHS Board Fund decreased by \$2.3 million primarily because of reduced federal Medicaid stimulus funding received in 2011, as well as additional one-time funding from the State. The fund balance of the Special Assessment Debt Service Fund decreased slightly, from \$2,018,785 in 2010 to \$1,994,713 in 2011.

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 \$14,819,785, which was a 23.0 percent increase

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from 2010. The increase was primarily due to an increase in operating revenues and decreases in loans and bonds payable. Unrestricted net assets for the Wastewater Fund amounted to \$14,485,727 which was a slight increase as compared to 2010. The Solid Waste Fund's unrestricted net assets amounted to (\$8,406,773) 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 increased from \$39,039,227 to \$39,815,796, or by 2.0 percent, in 2011 as compared to 2010 while operating expenses decreased by \$760,307 or 2.3 percent. This is primarily due to an increase in water sales due to slight increases in usage and an increase in collections at the County landfill.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. Final budgeted revenues increased by \$2,008,024 as compared to the original budget for a total increase of 4.5 percent, primarily due to increases in the estimates for property taxes, sales tax and fees and charges for services. Actual revenues received were \$1,949,805 higher, or 4.2 percent, than the final certification. Final budgeted expenditures increased by \$2,555,185 from the original budget. However, actual expenditures were \$2,545,029 less than final budgeted appropriations, which amounted to a 4.8 percent reduction from the final expenditure budget. Actual expenditures were \$10,156 more than the original budgeted amounts, which is a less than one percent variance. When comparing 2011 actual expenditures and transfers with 2010, the result is a 4.6 percent reduction which is due to budgetary cuts during 2011 including employee layoffs and furloughs.

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Capital Assets and Debt Administration

Capital Assets:

Table 3 shows 2011 values compared to 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,522,603	\$ 3,522,603	\$ 4,347,646	\$ 4,347,646	\$ 7,870,249	\$ 7,870,249
Construction in Progress	36,549,223	33,585,904	24,306,002	21,903,914	60,855,225	55,489,818
Land Improvements	139,940	172,825	141,439	157,720	281,379	330,545
Building & Other Structures	40,705,637	42,782,115			40,705,637	42,782,115
Furniture and Equipment	6,379,765	7,073,348	1,281,916	1,544,787	7,661,681	8,618,135
Infrastructure	67,095,283	61,307,507			67,095,283	61,307,507
Utility Plant in Service			166,326,735	167,451,740	166,326,735	167,451,740
Total Capital Assets	\$ 154,392,451	\$ 148,444,302	\$ 196,403,738	\$ 195,405,807	\$ 350,796,189	\$ 343,850,109

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amount to \$295,634,015 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, equipment and machinery, roads, highways, bridges, utility service lines and related operating facilities and the County landfill. Utility Plant in Service in the business-type activities includes all utility buildings and service lines associated with such operations.

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

- Total additions to construction-in-progress for governmental activities amounted to \$2.9 million in 2011.
- The purchase of \$342,046 in vehicles and equipment for the County Engineers department for use in maintenance and repairs of the County's roads and bridges.
- The purchase of \$97,290 in vehicles and equipment for Job and Family Services department.
- The purchase of \$245,756 in miscellaneous building improvements and equipment for the DD Board.

Lake County, Ohio

*Management's Discussion and Analysis
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Unaudited*

- The completion of \$9.5 million in roads and bridges infrastructure improvements.
- The completion of \$4.4 million in infrastructure projects with an additional \$24.3 million remaining in construction in progress for business-type activities.
- The deletions of \$1.2 million in obsolescent radio equipment within governmental activities.

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

Debt

Table 4 below summarizes the County's long-term obligations outstanding.

**Table 4
Outstanding Long-term Obligations at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 14,930,000	\$ 16,425,000	\$ 1,123,400	\$ 1,201,300	\$ 16,053,400	\$ 17,626,300
Special Assessment Bonds	7,641,600	8,243,700			7,641,600	8,243,700
Long-Term Notes	2,850,000				2,850,000	
OWDA Loans			19,781,696	21,615,857	19,781,696	21,615,857
Other Long-term Liabilities	815,641	896,542	488,685	519,860	1,304,326	1,416,402
Capital Leases	11,152	17,389			11,152	17,389
Unamortized Premium on Debt	518,026	548,585			518,026	548,585
Landfill Closure & Postclosure			19,211,276	17,949,184	19,211,276	17,949,184
Compensated Absences	11,998,290	12,445,614	1,991,180	2,143,331	13,989,470	14,588,945
	<u>\$ 38,764,709</u>	<u>\$ 38,576,830</u>	<u>\$ 42,596,237</u>	<u>\$ 43,429,532</u>	<u>\$ 81,360,946</u>	<u>\$ 82,006,362</u>

Of the debt outstanding at December 31, 2011, 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. The Other Long-term Liabilities are for water and wastewater utility improvements and road improvements. Capital leases are for the acquisition of capital assets which are paid for over the lease period. Landfill closure and post-closure obligations are for the closure and post-closure costs for the County's landfill. 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 0.7 percent of expenses for governmental activities.

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During 2011, the County's outstanding governmental long-term obligations increased by \$187,879, or less than one percent. The County issued a long-term note during the year in the amount of \$2,850,000 for the purchase and renovation of a building to house the County's vehicle maintenance operations. The long-term obligations for business-type activities decreased by \$833,295, or 1.9 percent, during 2011. The County issued \$8,402 in Ohio Public Works Commission Loans during 2011 for business-type activities and an additional \$1.3 million debt was recorded for the landfill closure and post-closure costs. The County has \$7.5 million in short-term notes for various utility improvement projects for business-type activities.

The County maintains an "Aa1" credit rating from Moody's Investor Services, Inc. The overall debt margin at December 31, 2011 was \$140.2 million with an unvoted total debt margin of \$45.5 million. Additional information on the County's long-term debt can be found in Note H of this report.

Economic Factors and Next Year's Budgets and Rates

As previously stated, the unreserved fund balance in the General Fund decreased in 2011 as a direct result of the prolonged economic recession which the whole nation has been experiencing for several years. Due to this recent economic climate, the County's General Fund balance has steadily decreased since 2007. Unprecedented reductions, all occurring for several years, in sales taxes, real estate conveyance taxes and interest income, and real estate taxes for the General Fund, have all contributed to some strenuous budgetary times. Due to this reduction in revenue resulting from the stagnation in the national economy and increases in federal and state funding cutbacks in recent years, the Commissioners and the department heads have worked diligently in reducing expenses. Over the last several years, the Commissioners have instituted a hiring freeze, have frozen wages for non-bargaining unit employees and have instituted "across-the-board" General Fund budget cuts including layoffs and furloughs of some employees. The Commissioners are reviewing all "non-statutorily" mandated expenditure functions to determine what can be further reduced and/or eliminated, and they are stringently monitoring all expenses and are curtailing travel and equipment purchases unless absolutely needed.

The 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, the State of Ohio, in their final budget, is eliminating those reimbursements after 2011 for the General Fund which will result in significant revenue losses for the General Fund and the other funds receiving property tax revenue.

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 is facing a multi-billion dollar deficit in its budget and, as a result, is instituting cutbacks to state agencies and in

Lake County, Ohio

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their allocations to county and other local governments. These reduced federal and state funding/reimbursements for various programs have, in some cases, resulted in additional pressure on the General Fund balance, as well as several other County funds.

As previously stated, the County's returns on investments continued to suffer in 2011, as has been the case since 2007, due to the extremely low investment interest rates that have affected investors nationwide. Interest on investments, which peaked at \$9.0 million in 2006, dropped down to \$1.7 million in 2011. 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 2011 was 6.2 percent, which decreased from 7.6 percent a year ago. The County's rate compares favorably to the State average which was 8.6 percent and the Federal rate which was 8.9 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio, including some surrounding counties who are facing significant financial hardships and budget reductions. The key factor is the County's large retail market and its diversified commercial and industrial economic base. Residential new construction continued to drop significantly in 2011, 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, or visit the County Web Site at: <http://www.lakecountyohio.org>.

LAKE COUNTY, OHIO

STATEMENT OF NET ASSETS

December 31, 2011

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	WORKSHOP	PORT AUTHORITY
ASSETS:					
Equity in pooled cash and cash equivalents	\$ 79,959,814	\$ 37,536,238	\$ 117,496,052	\$ 624,841	\$ 118,648
Receivables:					
Taxes	58,186,155		58,186,155		
Accounts	526,549	6,225,231	6,751,780	49,300	243,740
Unbilled accounts		4,152,026	4,152,026		
Other receivables					28,196
Special assessments	11,229,276		11,229,276		
Accrued interest	482,558	1,118	483,676		
Due from other governments	9,149,098		9,149,098		
Materials and supplies inventory	1,446,672	1,661,199	3,107,871	125	
Internal balances	795,049	(795,049)			
Loans receivable	171,075		171,075		
Prepaid items	25,419		25,419	12,934	
Unamortized bond issuance costs	201,474	3,966	205,440		
Unamortized loss on refunded bonds	83,574		83,574		
Nondepreciable capital assets	40,071,826	28,653,648	68,725,474		
Depreciable capital assets, net	<u>114,320,625</u>	<u>167,750,090</u>	<u>282,070,715</u>	<u>9,148</u>	
TOTAL ASSETS	<u>316,649,164</u>	<u>245,188,467</u>	<u>561,837,631</u>	<u>696,348</u>	<u>390,584</u>
LIABILITIES					
Accounts payable	6,112,872	2,071,893	8,184,765	3,642	21,259
Accrued wages and benefits	2,726,148	458,071	3,184,219	31,488	355
Unearned revenue	50,514,171	2,472,273	52,986,444		
Accrued interest payable	103,317	55,622	158,939		
Due to other governments	1,330,717	1,233,049	2,563,766	884	
Claims payable	267,365		267,365		
Customer deposits		392,626	392,626		
Unamortized premium on debt issue	518,026		518,026		
Notes payable		7,520,000	7,520,000		
Long-term liabilities					
Due within one year	5,317,417	2,934,308	8,251,725		
Due in more than one year	<u>32,929,266</u>	<u>39,661,929</u>	<u>72,591,195</u>		
TOTAL LIABILITIES	<u>99,819,299</u>	<u>56,799,771</u>	<u>156,619,070</u>	<u>36,014</u>	<u>21,614</u>
NET ASSETS					
Invested in capital assets, net of related debt	128,144,058	167,489,957	295,634,015	9,148	
Restricted for:					
Public assistance/human services	22,283,116		22,283,116		
Roads and bridges	12,330,693		12,330,693		
Health programs	7,353,894		7,353,894		
Judicial/public safety grants/programs	11,745,569		11,745,569		
Economic development grants	768,843		768,843		
Debt service	1,110,698		1,110,698		
Capital projects	8,162,057		8,162,057		
Other purposes	6,014,986		6,014,986	9,099	49,838
Unrestricted	<u>18,915,951</u>	<u>20,898,739</u>	<u>39,814,690</u>	<u>642,087</u>	<u>319,132</u>
TOTAL NET ASSETS	<u>\$ 216,829,865</u>	<u>\$ 188,388,696</u>	<u>\$ 405,218,561</u>	<u>\$ 660,334</u>	<u>\$ 368,970</u>

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

LAKE COUNTY, OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

	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	\$ 17,879,489	\$ 5,890,307	\$	\$
Judicial and public safety	41,323,303	8,117,258	2,471,826	432,840
Public works	14,334,947	326,272	5,878,059	2,478,592
Human services	66,694,639	2,913,805	28,487,969	
Health	24,300,627	617,788	14,172,603	
Community and economic development	4,262,605		3,939,862	343,280
Interest and fiscal charges	1,211,607			
<i>Total Governmental Activities</i>	<u>170,007,217</u>	<u>17,865,430</u>	<u>54,950,319</u>	<u>3,254,712</u>
BUSINESS-TYPE ACTIVITIES:				
Water	11,878,439	17,149,509		442,263
Wastewater	15,252,580	15,930,434		23,480
Solid Waste	6,894,711	5,850,325		
<i>Total Business-Type Activities</i>	<u>34,025,730</u>	<u>38,930,268</u>	<u>0</u>	<u>465,743</u>
<i>Total Primary Government</i>	<u>\$ 204,032,947</u>	<u>\$ 56,795,698</u>	<u>\$ 54,950,319</u>	<u>\$ 3,720,455</u>
<i>COMPONENT UNITS</i>				
Workshop	\$ <u>521,566</u>	\$ <u>480,398</u>	\$ <u>65,001</u>	\$ <u>0</u>
Port Authority	\$ <u>598,246</u>	\$ <u>79,788</u>	\$ <u>493,398</u>	\$ <u>0</u>

General Revenues

Property Taxes Levied For:

General Purposes

Developmental Disabilities

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 basic 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
\$ (11,989,182)	\$	\$ (11,989,182)	\$	\$
(30,301,379)		(30,301,379)		
(5,652,024)		(5,652,024)		
(35,292,865)		(35,292,865)		
(9,510,236)		(9,510,236)		
20,537		20,537		
(1,211,607)		(1,211,607)		
<u>(93,936,756)</u>	<u>0</u>	<u>(93,936,756)</u>	<u>0</u>	<u>0</u>
	5,713,333	5,713,333		
	701,334	701,334		
	<u>(1,044,386)</u>	<u>(1,044,386)</u>		
<u>0</u>	<u>5,370,281</u>	<u>5,370,281</u>	<u>0</u>	<u>0</u>
<u>(93,936,756)</u>	<u>5,370,281</u>	<u>(88,566,475)</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>23,833</u>	
<u>0</u>	<u>0</u>	<u>0</u>		<u>(25,060)</u>
11,776,439		11,776,439		
25,574,377		25,574,377		
8,850,897		8,850,897		
3,067,089		3,067,089		
1,085,941		1,085,941		
1,319,137		1,319,137		
2,239,549		2,239,549		
13,984,233		13,984,233		
1,985,556		1,985,556		
812,277		812,277		
11,124,851		11,124,851		
1,672,427	15,251	1,687,678	15,404	15
<u>9,483,812</u>	<u>885,528</u>	<u>10,369,340</u>		<u>29,574</u>
92,976,585	900,779	93,877,364	15,404	29,589
<u>100,000</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
93,076,585	800,779	93,877,364	15,404	29,589
(860,171)	6,171,060	5,310,889	39,237	4,529
<u>217,690,036</u>	<u>182,217,636</u>	<u>399,907,672</u>	<u>621,097</u>	<u>364,441</u>
\$ <u>216,829,865</u>	\$ <u>188,388,696</u>	\$ <u>405,218,561</u>	\$ <u>660,334</u>	\$ <u>368,970</u>

LAKE COUNTY, OHIO

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2011

	GENERAL FUND	DEVELOP- MENTAL DISABILITIES BOARD	ADAMHS BOARD	SPECIAL ASSESSMENT DEBT SERVICE	OTHER GOVERNMENTAL FUNDS
ASSETS:					
Equity in pooled cash and cash equivalents	\$ 10,522,347	\$ 14,687,048	\$ 5,961,463	\$ 1,628,724	\$ 45,868,889
Receivables:					
Taxes	14,758,375	26,387,269	9,163,727		7,876,784
Accounts	343,232	17,626	5,000		160,225
Special assessments				9,184,545	2,044,731
Accrued interest	481,589				969
Due from other funds	684,119				355,361
Due from other governments	418,191	1,327,767	3,440,921		3,955,410
Materials and supplies inventory					1,419,395
Interfund receivable	128,835				220,000
Loans receivable					171,075
Prepaid items	20,622	153	4,135		509
TOTAL ASSETS	\$ 27,357,310	\$ 42,419,863	\$ 18,575,246	\$ 10,813,269	\$ 62,073,348
LIABILITIES					
Accounts payable	\$ 514,268	\$ 427,167	\$ 2,753,879		\$ 2,260,770
Accrued wages and benefits	1,021,898	884,405	17,822		786,526
Deferred revenue	12,160,644	26,471,618	10,249,147	8,818,556	8,964,218
Due to other funds	111,071	17,211	289		208,734
Due to other governments	604,851	145,275	32,298		541,137
Interfund payable					348,835
Accrued interest payable					11,637
TOTAL LIABILITIES	14,412,732	27,945,676	13,053,435	8,818,556	13,121,857
FUND BALANCES					
Nonspendable - Inventory					1,419,395
Nonspendable - Prepaid Assets	20,622	153	4,135		509
Nonspendable - Unclaimed Funds	411,729				
Restricted for Other Purposes					3,116,563
Restricted for Debt Service				1,994,713	
Restricted for Capital Projects					8,162,057
Restricted for Public Assistance/Human Services		14,474,034			371,934
Restricted for Roads and Bridges					4,120,503
Restricted for Health Programs			5,517,676		
Restricted for Judicial/Public Safety/Grant Programs					11,820,304
Restricted for Economic Development					825,346
Restricted for Children's Services					9,064,672
Restricted for General Government Operation					2,787,920
Restricted for Public Works					7,550,096
Committed for Central Communications	1,805,538				
Assigned for Encumbrances	96,591				
Assigned for Claimants	3,289,247				
Unassigned (Deficit)	7,320,851				(287,808)
TOTAL FUND BALANCES	12,944,578	14,474,187	5,521,811	1,994,713	48,951,491
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,357,310	\$ 42,419,863	\$ 18,575,246	\$ 10,813,269	\$ 62,073,348

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

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2011

TOTAL GOVERNMENTAL FUNDS		
	Total Governmental Fund Balances	\$ 83,886,780
\$ 78,668,471 58,186,155 526,083 11,229,276 482,558 1,039,480 9,142,289 1,419,395 348,835 171,075 25,419 <hr style="width: 100%;"/> \$ <u>161,239,036</u>	<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i> Capital assets used in governmental activities are not current financial resources and therefore not reported in the funds. 154,392,451	
	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Special Assessments 8,818,556 Property Taxes 5,074,253 Intergovernmental <u>2,257,203</u>	
	Total	16,150,012
\$ 5,956,084 2,710,651 66,664,183 337,305 1,323,561 348,835 11,637 <hr style="width: 100%;"/> 77,352,256	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: Net Assets 828,197 Capital Assets (18,149) Compensated Absences <u>161,915</u>	
	Total	971,963
1,419,395 25,419 411,729 3,116,563 1,994,713 8,162,057 14,845,968 4,120,503 5,517,676 11,820,304 825,346 9,064,672 2,787,920 7,550,096 1,805,538 96,591 3,289,247 7,033,043 <hr style="width: 100%;"/> 83,886,780	In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (91,680)	
	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. Bond Issuance Costs 201,474 Unamortized Loss On Refunded Bonds <u>83,574</u>	
	Total	285,048
1,805,538 96,591 3,289,247 7,033,043 <hr style="width: 100%;"/> 83,886,780	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: General Obligation Bonds (14,930,000) Special Assessment Bonds (7,641,600) Long-Term Notes Payable (2,850,000) Other Long-Term Liabilities (815,641) Unamortized Premium on Bonds (518,026) Capital Leases (11,152) Compensated Absences <u>(11,998,290)</u>	
	Total	(38,764,709)
\$ <u>161,239,036</u>	Net Assets of Governmental Activities	\$ <u>216,829,865</u>

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2011

	GENERAL	DEVELOP- MENTAL DISABILITIES BOARD	ADAMHS BOARD	SPECIAL ASSESSMENT DEBT SERVICE	OTHER GOVERNMENTAL FUNDS
REVENUES:					
Property taxes	\$ 11,637,378	\$ 25,275,413	\$ 8,742,202	\$	\$ 7,577,746
Sales tax	15,546,167				
Conveyance & other local taxes	2,005,633	45,197	15,390		731,613
Fees and charges for services	7,841,130				8,326,811
Licenses and permits	482,900				703,768
Fines and forfeitures	157,453				1,279,976
Intergovernmental	5,245,781	21,292,080	13,503,163		29,915,688
Special assessments				977,680	2,050,137
Investment earnings	1,657,671				14,756
Miscellaneous	5,071,620	1,311,723	222,525		2,877,944
TOTAL REVENUES	49,645,733	47,924,413	22,483,280	977,680	53,478,439
EXPENDITURES:					
CURRENT:					
General government	14,561,680				4,367,446
Judicial and public safety	32,114,489				10,103,329
Public works	219,281				10,829,050
Human services	794,928	44,679,198			24,026,804
Health	111,034		24,796,209		522,064
Community and economic development	275,427				4,228,060
Capital outlay					3,226,736
Debt service:					
Principal retirement				602,100	1,575,901
Interest and fiscal charges				399,652	842,545
TOTAL EXPENDITURES	48,076,839	44,679,198	24,796,209	1,001,752	59,721,935
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,568,894	3,245,215	(2,312,929)	(24,072)	(6,243,496)
OTHER FINANCING SOURCES AND (USES):					
Sale of capital assets	192,820				14,813
Proceeds of Notes					2,850,000
Transfers - in	149,000				10,178,980
Transfers - out	(3,854,087)				(6,813,893)
TOTAL OTHER FINANCING SOURCES (USES)	(3,512,267)	0	0	0	6,229,900
NET CHANGE IN FUND BALANCE	(1,943,373)	3,245,215	(2,312,929)	(24,072)	(13,596)
FUND BALANCE AT BEGINNING OF YEAR - RESTATED (SEE NOTE C)	14,887,951	11,228,972	7,834,740	2,018,785	48,965,087
FUND BALANCE AT END OF YEAR	\$ 12,944,578	\$ 14,474,187	\$ 5,521,811	\$ 1,994,713	\$ 48,951,491

The notes to the basic 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, 2011*

	Net Change in Fund Balances - Total Governmental Funds	\$ (1,048,755)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
	Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
\$ 53,232,739	Capital Outlay	13,518,363
15,546,167	Depreciation	<u>(7,163,144)</u>
2,797,833	Total	6,355,219
16,167,941		
1,186,668		
1,437,429	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.	(407,070)
69,956,712		
3,027,817		
1,672,427		
9,483,812		
<u>174,509,545</u>	Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
	Special Assessments	(1,471,448)
	Property Taxes	680,690
	Intergovernmental	(3,109,807)
	Sales Tax	<u>(1,561,934)</u>
18,929,126	Total	(5,462,499)
42,217,818		
11,048,331	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:	
69,500,930	Bonds and Loans	2,178,001
25,429,307	Capital Leases	<u>6,237</u>
4,503,487	Total	2,184,238
3,226,736		
2,178,001	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	15,591
<u>1,242,197</u>		
178,275,933	Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities:	
	Amortization of Loss on Refunded Bonds	(4,951)
	Amortization of Bond Premium	30,559
	Amortization of Bond Issuance Costs	<u>(10,609)</u>
(3,766,388)	Total	14,999
207,633		
2,850,000	Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.	
10,327,980	Notes Issued	(2,850,000)
<u>(10,667,980)</u>		
2,717,633	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.	447,324
(1,048,755)		
84,935,535	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.	
\$ <u>83,886,780</u>	Change in Net Assets	(93,590)
	Capital Assets	16,301
	Compensated Absences	<u>(31,929)</u>
	Total	<u>(109,218)</u>
	Change in Net Assets of Governmental Activities	\$ <u>(860,171)</u>

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, 2011

GENERAL FUND	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 11,245,000	\$ 11,627,888	\$ 11,637,378	\$ 9,490
Sales tax	14,100,000	15,350,000	15,361,935	11,935
Other taxes	1,998,556	1,998,168	1,998,168	0
Fees and charges for services	4,242,544	4,796,969	6,037,688	1,240,719
Licenses and permits	382,200	464,200	481,213	17,013
Fines and forfeitures	155,000	159,000	159,704	704
Intergovernmental	5,817,427	5,286,251	5,332,391	46,140
Investment earnings	1,250,000	1,720,000	1,745,892	25,892
Miscellaneous	5,403,900	4,444,500	5,034,092	589,592
TOTAL REVENUES	<u>44,594,627</u>	<u>45,846,976</u>	<u>47,788,461</u>	<u>1,941,485</u>
EXPENDITURES:				
CURRENT:				
General government	13,993,807	15,691,677	14,595,456	1,096,221
Judicial and public safety	31,224,293	32,064,067	31,221,816	842,251
Public works	223,068	223,068	219,005	4,063
Human services	1,194,659	1,127,564	842,620	284,944
Health	209,688	356,204	110,518	245,686
Community and economic development	110,000	297,000	296,049	951
TOTAL EXPENDITURES	<u>46,955,515</u>	<u>49,759,580</u>	<u>47,285,464</u>	<u>2,474,116</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,360,888)	(3,912,604)	502,997	4,415,601
OTHER FINANCING SOURCES AND USES:				
Sale of capital assets	10,000	184,500	192,820	8,320
Advances-in		432,175	432,175	0
Transfers - in		149,000	149,000	0
Transfers - out	(4,048,880)	(3,800,000)	(3,729,087)	70,913
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,038,880)</u>	<u>(3,034,325)</u>	<u>(2,955,092)</u>	<u>79,233</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(6,399,768)</u>	<u>(6,946,929)</u>	<u>(2,452,095)</u>	<u>4,494,834</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	10,960,046	10,960,046	10,960,046	0
Unexpended Prior Year Encumbrances	241,917	241,917	241,917	0
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 4,802,195</u>	<u>\$ 4,255,034</u>	<u>\$ 8,749,868</u>	<u>\$ 4,494,834</u>

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

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2011

DEVELOPMENTAL DISABILITIES BOARD	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 25,963,152	\$ 25,935,658	\$ 25,275,413	\$ (660,245)
Other taxes		42,494	45,197	2,703
Intergovernmental	20,294,835	22,326,099	22,111,707	(214,392)
Miscellaneous	1,379,328	1,384,328	1,335,646	(48,682)
TOTAL REVENUES	<u>47,637,315</u>	<u>49,688,579</u>	<u>48,767,963</u>	<u>(920,616)</u>
EXPENDITURES:				
CURRENT:				
Human services	43,971,348	47,445,912	45,159,545	2,286,367
TOTAL EXPENDITURES	<u>43,971,348</u>	<u>47,445,912</u>	<u>45,159,545</u>	<u>2,286,367</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,665,967	2,242,667	3,608,418	1,365,751
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	10,310,651	10,310,651	10,310,651	0
Unexpended Prior Year Encumbrances	<u>752,502</u>	<u>752,502</u>	<u>752,502</u>	<u>0</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ <u>14,729,120</u>	\$ <u>13,305,820</u>	\$ <u>14,671,571</u>	\$ <u>1,365,751</u>

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

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2011

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	\$ 8,800,000	\$ 8,790,391	\$ 8,742,202	\$ (48,189)
Other taxes		14,609	15,390	781
Intergovernmental	14,336,732	18,211,568	15,500,786	(2,710,782)
Miscellaneous	300,000	200,164	250,868	50,704
TOTAL REVENUES	<u>23,436,732</u>	<u>27,216,732</u>	<u>24,509,246</u>	<u>(2,707,486)</u>
EXPENDITURES:				
CURRENT:				
Health	<u>23,592,348</u>	<u>26,317,671</u>	<u>23,825,235</u>	<u>2,492,436</u>
TOTAL EXPENDITURES	<u>23,592,348</u>	<u>26,317,671</u>	<u>23,825,235</u>	<u>2,492,436</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(155,616)	899,061	684,011	(215,050)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	5,250,994	5,250,994	5,250,994	0
Unexpended Prior Year Encumbrances	<u>373</u>	<u>373</u>	<u>373</u>	<u>0</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ <u>5,095,751</u>	\$ <u>6,150,428</u>	\$ <u>5,935,378</u>	\$ <u>(215,050)</u>

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

LAKE COUNTY, OHIO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities
	WATER	WASTE- WATER	SOLID WASTE	TOTALS	INTERNAL SERVICE FUNDS
ASSETS:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 15,500,327	\$ 11,759,532	\$ 10,276,379	\$ 37,536,238	\$ 1,291,343
Net receivables:					
Accounts	2,841,115	2,617,862	766,254	6,225,231	466
Unbilled accounts	1,865,607	2,286,419		4,152,026	
Accrued interest	345	773		1,118	
Due from other funds		540,000	255,342	795,342	93,105
Due from other governments					6,809
Material and supplies inventory	1,031,987	625,408	3,804	1,661,199	27,277
Unamortized bond issuance costs		3,966		3,966	
<i>Total current assets</i>	<u>21,239,381</u>	<u>17,833,960</u>	<u>11,301,779</u>	<u>50,375,120</u>	<u>1,419,000</u>
Noncurrent assets-capital assets:					
Land	1,303,593	1,485,824	1,558,229	4,347,646	
Land improvements	88,142	50,715	259,316	398,173	
Utility plant in service	130,887,139	217,489,051	17,941,778	366,317,968	
Furniture, fixtures and equipment	2,725,010	4,768,895	623,680	8,117,585	216,524
Less: Accumulated depreciation	(83,029,828)	(115,354,088)	(8,699,720)	(207,083,636)	(198,375)
Construction-in-progress	8,836,569	11,151,464	4,317,969	24,306,002	
<i>Total noncurrent assets-capital assets:</i>	<u>60,810,625</u>	<u>119,591,861</u>	<u>16,001,252</u>	<u>196,403,738</u>	<u>18,149</u>
TOTAL ASSETS	<u>\$ 82,050,006</u>	<u>\$ 137,425,821</u>	<u>\$ 27,303,031</u>	<u>\$ 246,778,858</u>	<u>\$ 1,437,149</u>

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

LAKE COUNTY, OHIO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS (CONTINUED)

DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities
	WATER	WASTE- WATER	SOLID WASTE	TOTALS	INTERNAL SERVICE FUNDS
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 1,307,694	\$ 547,939	\$ 216,260	\$ 2,071,893	\$ 156,788
Accrued wages and benefits	235,406	209,994	12,671	458,071	15,497
Unearned revenue	1,128,013	1,344,260		2,472,273	
Accrued interest payable	2,042	50,865	2,715	55,622	
Due to other funds	1,582,206	7,749	436	1,590,391	231
Due to other governments	945,109	89,380	198,560	1,233,049	7,156
Claims payable					267,365
Customer deposits	184,510	208,116		392,626	
Compensated absences payable-current	76,148	65,499	4,904	146,551	11,917
Notes payable	500,000	6,660,000	360,000	7,520,000	
OWDA loans payable-current		2,675,887		2,675,887	
General obligation bonds payable-current		82,000		82,000	
Other long-term debt payable-current		29,870		29,870	
<i>Total current liabilities</i>	<u>5,961,128</u>	<u>11,971,559</u>	<u>795,546</u>	<u>18,728,233</u>	<u>458,954</u>
Noncurrent liabilities:					
Compensated absences payable	958,468	824,431	61,730	1,844,629	149,998
OWDA loans payable		17,105,809		17,105,809	
General obligation bonds payable		1,041,400		1,041,400	
Other long-term debt payable		458,815		458,815	
Landfill closure and postclosure costs			19,211,276	19,211,276	
<i>Total noncurrent liabilities</i>	<u>958,468</u>	<u>19,430,455</u>	<u>19,273,006</u>	<u>39,661,929</u>	<u>149,998</u>
TOTAL LIABILITIES	<u>6,919,596</u>	<u>31,402,014</u>	<u>20,068,552</u>	<u>58,390,162</u>	<u>608,952</u>
NET ASSETS:					
Invested in capital assets, net of related debt	60,310,625	91,538,080	15,641,252	167,489,957	18,149
Unrestricted	14,819,785	14,485,727	(8,406,773)	20,898,739	810,048
TOTAL NET ASSETS	<u>\$ 75,130,410</u>	<u>\$ 106,023,807</u>	<u>\$ 7,234,479</u>	<u>\$ 188,388,696</u>	<u>\$ 828,197</u>

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

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities
	WATER	WASTE- WATER	SOLID WASTE	TOTALS	INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Water sales	\$ 16,877,609	\$	\$	\$ 16,877,609	\$
Sewer charges		15,128,269		15,128,269	
Fees, permits and tap-ins	188,514	651,190		839,704	
Charges for services	83,386	150,975	5,850,325	6,084,686	6,423,271
Other operating revenues	239,950	575,128	70,450	885,528	34,717
TOTAL OPERATING REVENUES	17,389,459	16,505,562	5,920,775	39,815,796	6,457,988
OPERATING EXPENSES:					
Personal services	4,111,762	4,259,629	320,649	8,692,040	702,096
Contractual services	894,873	839,889	5,593,026	7,327,788	350,135
Materials and supplies	1,576,540	1,077,266	79,759	2,733,565	1,187,762
Insurance claims					4,479,286
Other operating expenses	3,456,032	4,261,937	295,889	8,013,858	262,441
Depreciation expense	1,831,616	3,800,579	596,816	6,229,011	9,858
TOTAL OPERATING EXPENSES	11,870,823	14,239,300	6,886,139	32,996,262	6,991,578
OPERATING INCOME (LOSS)	5,518,636	2,266,262	(965,364)	6,819,534	(533,590)
NON-OPERATING REVENUES (EXPENSES):					
Investment earnings	7,234	8,007	10	15,251	
Interest and fiscal charges	(7,616)	(1,013,280)	(8,572)	(1,029,468)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	(382)	(1,005,273)	(8,562)	(1,014,217)	0
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	5,518,254	1,260,989	(973,926)	5,805,317	(533,590)
Grants and contributed capital	420,424	1,360		421,784	
Contributions from customers	21,839	22,120		43,959	
Transfers-in				0	440,000
Transfers-out	(100,000)			(100,000)	
CHANGE IN NET ASSETS	5,860,517	1,284,469	(973,926)	6,171,060	(93,590)
NET ASSETS AT BEGINNING OF THE YEAR	69,269,893	104,739,338	8,208,405	182,217,636	921,787
NET ASSETS AT END OF THE YEAR	\$ 75,130,410	\$ 106,023,807	\$ 7,234,479	\$ 188,388,696	\$ 828,197

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

LAKE COUNTY, OHIO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				Governmental Activities
	WATER	WASTE- WATER	SOLID WASTE	TOTAL	INTERNAL SERVICE FUNDS
<u>Cash flows from operating activities:</u>					
Cash received from customers	\$ 17,388,816	\$ 15,938,798	\$ 5,845,885	\$ 39,173,499	\$ 6,443,805
Cash paid to suppliers	(5,794,136)	(6,096,677)	(4,787,041)	(16,677,854)	(1,529,872)
Cash paid to employees	(4,124,437)	(4,296,321)	(344,789)	(8,765,547)	(706,779)
Cash paid for claims				0	(4,696,501)
Other operating revenues	239,950	575,128	70,450	885,528	35,023
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,710,193	6,120,928	784,505	14,615,626	(454,324)
<u>Cash flows from noncapital financing activities:</u>					
Advances-in from other funds		135,000	63,835	198,835	
Advances-out to other funds	(586,529)			(586,529)	
Transfers-in from other funds				0	440,000
Transfers-out to other funds	(100,000)			(100,000)	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(686,529)	135,000	63,835	(487,694)	440,000
<u>Cash flows from capital and related financing activities:</u>					
Proceeds from the sale of general obligation notes	500,000	6,660,000	360,000	7,520,000	
Proceeds from OPWC loan		8,402		8,402	
Acquisition and construction of capital assets	(3,358,278)	(2,721,024)	(31,305)	(6,110,607)	(6,492)
Principal paid on general obligation debt	(773,427)	(9,151,638)	(760,000)	(10,685,065)	
Interest paid on general obligation debt	(9,376)	(1,016,765)	(11,367)	(1,037,508)	
Capital contributed by grants	143,661	1,693		145,354	
Contributions from customers	21,839	22,120		43,959	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,475,581)	(6,197,212)	(442,672)	(10,115,465)	(6,492)
<u>Cash flows from investing activities:</u>					
Interest on investments	6,889	7,234	10	14,133	
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,889	7,234	10	14,133	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,554,972	65,950	405,678	4,026,600	(20,816)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,945,355	11,693,582	9,870,701	33,509,638	1,312,159
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 15,500,327	\$ 11,759,532	\$ 10,276,379	\$ 37,536,238	\$ 1,291,343

The notes to the basic 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, 2010

	Business-Type Activities - Enterprise Funds				Governmental Activities
	WATER	WASTE- WATER	SOLID WASTE	TOTAL	INTERNAL SERVICE FUNDS
<u>Capital and related financing activities</u> not affecting cash:					
Acquisition of capital assets through contributed capital	\$ 315,589	\$	\$	\$ 315,589	\$
Acquisition of assets capitalized from prior years's construction-in-progress		146,537		146,537	
NET ACQUISITION OF CAPITAL ASSETS NOT AFFECTING CASH	\$ <u>315,589</u>	\$ <u>146,537</u>	\$ <u>0</u>	\$ <u>462,126</u>	\$ <u>0</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ 5,518,636	\$ 2,266,262	\$ (965,364)	\$ 6,819,534	\$ (533,590)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,831,616	3,800,579	596,816	6,229,011	9,858
Loss on sale of assets				0	12,935
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	245,981	(3,148)	(4,440)	238,393	(187)
(Increase) decrease in inventory	(127,934)	28,445	(384)	(99,873)	25,060
(Increase) decrease in due from other funds				0	21,884
(Increase) decrease in due from other governments				0	(857)
(Increase) decrease in prepaid items	31,611	31,565	5,274	68,450	2,554
Increase (decrease) in accounts payable	108,729	325,447	(77,268)	356,908	(446)
Increase (decrease) in accrued wages	(12,675)	(36,692)	(24,140)	(73,507)	(4,683)
Increase (decrease) in due to other funds	4,526	4,218	381	9,125	(295)
Increase (decrease) in due to other governments	188,632	(427,742)	4,533	(234,577)	(9,212)
Increase (decrease) in claims payable				0	54,584
Increase (decrease) in compensated absences	(72,255)	(66,901)	(12,995)	(152,151)	(31,929)
Increase (decrease) in customer deposits	(6,674)	11,512		4,838	
Increase (decrease) in construction-in-progress not capitalized		187,383		187,383	
Increase (decrease) in landfill closure and postclosure costs			1,262,092	1,262,092	
Total adjustments	<u>2,191,557</u>	<u>3,854,666</u>	<u>1,749,869</u>	<u>7,796,092</u>	<u>79,266</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>7,710,193</u>	\$ <u>6,120,928</u>	\$ <u>784,505</u>	\$ <u>14,615,626</u>	\$ <u>(454,324)</u>

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

LAKE COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

DECEMBER 31, 2011

	AGENCY FUNDS
<hr/>	
ASSETS:	
Equity in pooled cash and cash equivalents	\$ 26,651,108
Cash and cash equivalents - non-pooled cash	6,692,248
Receivables:	
Taxes	284,150,556
Special assessments	7,395,762
Due from other governments	<u>2,056,654</u>
TOTAL ASSETS	\$ <u><u>326,946,328</u></u>
<hr/>	
LIABILITIES:	
Due to other governments	\$ 312,480,891
Other liabilities	<u>14,465,437</u>
TOTAL LIABILITIES	\$ <u><u>326,946,328</u></u>

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A – DESCRIPTION OF LAKE COUNTY

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

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

REPORTING ENTITY

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

LAKE COUNTY PORT AUTHORITY (the Port Authority)

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

LAKE METROPARKS

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

LAKELAND COMMUNITY COLLEGE

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

LAKE HEALTH

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

Jointly Governed Organizations

The County is a participant in the following Jointly Governed 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

FOR THE YEAR ENDED DECEMBER 31, 2011

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.

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
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

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
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (Continued)

Governmental Funds (Continued):

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

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

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

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

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net 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 where available otherwise a calculated flat fee rate is used. These charges 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
FOR THE YEAR ENDED DECEMBER 31, 2011

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 is 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.

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
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

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
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, but which were levied to finance year 2012 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
FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011.

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

Estimated Resources (Continued)

The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2011.

Appropriations

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

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

Budgeted Level of Expenditures

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 within the general fund are reported as assigned fund balance for subsequent-year expenditures of the fund.

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

POOLED CASH AND CASH EQUIVALENTS

The County Treasurer invests all active County funds. Active County funds are invested in federal agency obligations. Inactive funds are invested in certificates of deposit, commercial paper and the State Treasurer’s Investment Pool. The County pools its cash for investment purposes to capture the highest return. Investment income is distributed to various funds based upon their average daily cash balances. Investments are reported at fair value, which is based on quoted market prices. Interest income earned in the General Fund in 2011 totaled \$1,657,671, which includes \$1,460,077 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 as cash and cash equivalents regardless of initial maturity as they meet the criteria for ready conversion.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2011. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the same as the fair value of the underlying investment.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

INTERFUND RECEIVABLES

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2011 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.

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
 FOR THE YEAR ENDED DECEMBER 31, 2011

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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 years	20 years
Buildings and Other Structures	20-45 years	20-45 years
Furniture, Fixtures and Equipment	3-20 years	3-20 years
Infrastructure	30-65 years	30-65 years

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011 and included in construction-in-progress for the Enterprise Funds was \$89,823.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

COMPENSATED ABSENCES

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (continued)

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

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

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

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
FOR THE YEAR ENDED DECEMBER 31, 2011

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.

OPERATING REVENUES AND EXPENSES

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

INTERFUND TRANSACTIONS

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

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

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 2011.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

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

NOTE C – CHANGE IN ACCOUNTING PRINCIPLE & RESTATEMENT OF PRIOR YEAR FUND BALANCES

CHANGE IN ACCOUNTING PRINCIPLES

For 2011, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the County’s financial statements.

RESTATEMENT OF PRIOR YEAR FUND BALANCES

	General	Developmental Disabilities Board	ADAMHS Board
Fund Balance at 12/31/10	\$14,093,707	\$11,228,972	\$7,834,740
Change in Fund Structure (GASB 54)	794,244	0	0
Adjusted Fund Balance at 12/31/10	<u>\$14,887,951</u>	<u>\$11,228,972</u>	<u>\$7,834,740</u>
	Special Assessment Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance at 12/31/10	\$2,018,785	\$49,759,331	\$84,935,535
Change in Fund Structure (GASB 54)	0	(794,244)	0
Adjusted Fund Balance at 12/31/10	<u>\$2,018,785</u>	<u>\$48,965,087</u>	<u>\$84,935,535</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 part of restricted, committed and assigned fund balances (GAAP basis) for governmental funds.
- (d) *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

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

Net Change in Fund Balance
General and Major Special Revenue Funds

	General	DD Board	ADAMHS Board
GAAP Basis	(\$1,943,373)	\$3,245,215	(\$2,312,929)
Net Adjustment for Revenue Accruals	205,869	843,550	2,025,966
Beginning Fair Value Adjustment	306,672	0	0
Ending Fair Value Adjustment	(234,717)	0	0
Net Adjustment for Expenditure Accruals	32,706	(464,870)	997,059
Adjustment for Funds Budgeted as Special Revenue	(648,158)	0	0
Adjustment for Encumbrances	(171,094)	(15,477)	(26,085)
Budget Basis	<u>(\$2,452,095)</u>	<u>\$3,608,418</u>	<u>\$684,011</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, the carrying amount of the County's deposits was \$101,851,177. Based on the criteria described in GASB 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$102,789,142 of the County's bank balance of \$105,445,403 was exposed to custodial risk as discussed below, while \$2,656,261 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

Investments are reported at fair value. As of December 31, 2011, 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	
Commercial Paper	\$ 5,992,830	\$ 4,988,252	\$ 1,012,320	\$ 11,993,402
Federal Home Loan Bank Notes	2,045,060	2,000,000	15,109,080	19,154,140
Federal Farm Credit Bank	0	0	14,812,160	14,812,160
Treasury Notes	0	0	3,028,359	3,028,359
STAR Ohio	<u>170</u>	<u>0</u>	<u>0</u>	<u>170</u>
Total Portfolio	<u>\$ 8,038,060</u>	<u>\$ 6,988,252</u>	<u>\$ 33,961,919</u>	<u>\$ 48,988,231</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 Notes, 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
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011:

<u>Investment</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank Notes	39.1%
Federal Farm Credit Bank	30.2%
Commercial Paper	24.5%
Treasury Notes	6.2%

COMPONENT UNITS

At December 31, 2011 the carrying amount of Deepwood Industries, Inc. Workshop’s deposits was \$624,841. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2011, \$413,774 of the Workshop’s bank balance of \$634,813 was exposed to custodial risk while \$221,039 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, 2011 the carrying amount of the Lake County Port Authority’s deposits was \$118,648. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2011, none of the Port Authority’s bank balance of \$118,648 was exposed to custodial risk, meaning all was covered by the Federal Depository Insurance Corporation. The Port Authority had no investments at year-end.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,522,603	\$ 0	\$ 0	\$ 3,522,603
Construction in progress	<u>33,585,904</u>	<u>2,963,319</u>	<u>0</u>	<u>36,549,223</u>
<i>Total capital assets not being depreciated</i>	<u>37,108,507</u>	<u>2,963,319</u>	<u>0</u>	<u>40,071,826</u>
<i>Capital assets being depreciated:</i>				
Land improvements	782,496	0	0	782,496
Buildings and other structures	88,947,622	295,605	0	89,243,227
Furniture, fixtures and equipment	28,931,939	782,167	615,932	29,098,174
Infrastructure	<u>95,671,186</u>	<u>9,477,272</u>	<u>668,929</u>	<u>104,479,529</u>
<i>Total capital assets being depreciated</i>	<u>214,333,243</u>	<u>10,555,044</u>	<u>1,284,861</u>	<u>223,603,426</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	609,671	32,885	0	642,556
Buildings and other structures	46,165,507	2,372,083	0	48,537,590
Furniture, fixtures and equipment	21,858,591	1,451,018	591,200	22,718,409
Infrastructure	<u>34,363,679</u>	<u>3,307,158</u>	<u>286,591</u>	<u>37,384,246</u>
<i>Total accumulated depreciation</i>	<u>102,997,448</u>	<u>7,163,144*</u>	<u>877,791</u>	<u>109,282,801</u>
<i>Total capital assets being depreciated, net</i>	<u>111,335,795</u>	<u>3,391,900</u>	<u>407,070</u>	<u>114,320,625</u>
<i>Governmental activities capital assets, net</i>	<u>\$148,444,302</u>	<u>\$ 6,355,219</u>	<u>\$ 407,070</u>	<u>\$154,392,451</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$ 675,689
General Government (Int. Svc.)	9,858
Judicial and Public Safety	1,728,605
Public Works	3,673,870
Human Services	857,438
Health	<u>217,684</u>
Total Governmental Activities Depreciation Expense	<u>\$ 7,163,144</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE F – CAPITAL ASSETS (CONTINUED)

Business-type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,347,646	\$ 0	\$ 0	\$ 4,347,646
Construction in progress	<u>21,903,914</u>	<u>6,771,355</u>	<u>4,369,267</u>	<u>24,306,002</u>
<i>Total capital asset not being depreciated</i>	<u>26,251,560</u>	<u>6,771,355</u>	<u>4,369,267</u>	<u>28,653,648</u>
<i>Capital assets being depreciated:</i>				
Land improvements	398,173	0	0	398,173
Utility plant in service	361,633,112	4,684,856	0	366,317,968
Furniture, fixtures and equipment	<u>8,034,717</u>	<u>139,998</u>	<u>57,130</u>	<u>8,117,585</u>
<i>Total capital assets being depreciated</i>	<u>370,066,002</u>	<u>4,824,854</u>	<u>57,130</u>	<u>374,833,726</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	240,453	16,281	0	256,734
Utility plant in service	194,181,372	5,809,861	0	199,991,233
Furniture, fixtures and equipment	<u>6,489,930</u>	<u>402,869</u>	<u>57,130</u>	<u>6,835,669</u>
<i>Total accumulated depreciation</i>	<u>200,911,755</u>	<u>6,229,011</u>	<u>57,130</u>	<u>207,083,636</u>
<i>Total capital assets being depreciated, net</i>	<u>169,154,247</u>	<u>(1,404,157)</u>	<u>0</u>	<u>167,750,090</u>
<i>Business-type activities capital assets, net</i>	<u>\$195,405,807</u>	<u>\$5,367,198</u>	<u>\$4,369,267</u>	<u>\$196,403,738</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE G – INTERFUND TRANSACTIONS

Due to/from payables and receivables balances at December 31, 2011, 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	\$684,119	\$ 111,071
DD Board		17,211
ADAMHS Board		289
Total Governmental Major Funds	<u>684,119</u>	<u>128,571</u>
<u>Enterprise Major Funds:</u>		
Water		1,582,206
Wastewater	540,000	7,749
Solid Waste	<u>255,342</u>	<u>436</u>
Total Enterprise Major Funds	795,342	1,590,391
<u>Nonmajor Special Revenue Funds:</u>		
Public Assistance		13,921
Children's Services		2,261
Child Support Enforcement		107,730
Border Inter-Demonstration Program		296
Auto License and Gasoline Tax		403
Engineer's Stormwater Management		452
Dog and Kennel		1,043
Narcotics Agency		3,271
Forensic Crime Laboratory		298
Emergency Management Agency		596
Prosecutor's 4-D	51,408	
Municipal Construction		54,471
800 MHZ Communications System		594
Domestic Relations 4-D	27,477	104
Juvenile Court Special Project #2		265
Juvenile Court IV-D	21,225	1,630
Juvenile Court Legal Research		570
Juvenile Court Computerization		21
Juvenile Court Accountability		4,800
Community Corrections Grant		651
Probate Court Computerization		1,883

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE G – INTERFUND TRANSACTIONS (CONTINUED)

	<u>DUE FROM RECEIVABLES</u>	<u>DUE TO PAYABLES</u>
<u>Nonmajor Special Revenue Funds (continued):</u>		
Pilot Probation	\$	\$185
Law Library	11,795	
Telecommunications	69,052	2,401
Real Estate Assessment		4,847
Emergency Planning		13
Hotel/Motel		255
Additional MVL Tax		17
Special Project #1		1,147
Domestic Relation Court Computer		24
Geographic Information System	1,000	48
Community Development Block Grant		<u>3,713</u>
Total Special Revenue Funds	<u>181,957</u>	<u>207,910</u>
<u>Nonmajor Capital Project Funds:</u>		
Permanent Improvement	108,721	0
Courthouse Renovation	<u>64,683</u>	<u>824</u>
Total Capital Project Funds	<u>173,404</u>	<u>824</u>
<u>Internal Service Funds:</u>		
Central Purchasing	19,673	219
Mailroom	27,017	12
Garage	<u>46,415</u>	<u>0</u>
Total Internal Service Funds	<u>93,105</u>	<u>231</u>
TOTAL – ALL FUNDS	<u>\$1,927,927</u>	<u>\$1,927,927</u>

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 128,835	\$
Additional Motor Vehicle Tax	220,000	
Engineer’s Stormwater Management		220,000
Juvenile Court Computerization		128,835

The General Fund provided cash to the Juvenile Court Computerization Fund several years ago due to a cash flow deficiency for the fund. 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

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE H – LONG-TERM DEBT

Changes in the County's long-term obligations during the year ended December 31, 2011 consist of the following:

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2011	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2011	AMOUNTS DUE IN ONE YEAR
GOVERNMENTAL ACTIVITIES								
<i>General Obligation Bonds</i>								
1986/2011	Detention Facility	\$15,725,000	6.75%	\$ 655,000	\$ 0	\$ (655,000)	\$ 0	\$ 0
2005/2025	County Building Improvement & Refunding	15,500,000	3.00%-5.00%	13,445,000	0	(640,000)	12,805,000	665,000
1995/2015	Human Services Center	2,500,000	3.00%-5.00%	860,000	0	(160,000)	700,000	165,000
2007/2032	Dog Shelter Renovation	1,545,000	4.05%-5.00%	1,465,000	0	(40,000)	1,425,000	40,000
Total General Obligation Bonds – Unvoted				<u>16,425,000</u>	<u>0</u>	<u>(1,495,000)</u>	<u>14,930,000</u>	<u>870,000</u>
<i>General Obligation Note</i>								
2011/2012	Garage Purchase & Renovation	2,850,000	1.00%	0	2,850,000	(0)	2,850,000	2,850,000
<i>Special Assessment Bonds with Government Commitment</i>								
1994/2014	Proj. 176W, 178W, 180W, 183W, 187W, 193W, 195W, 199W, 182S, 186S	1,340,000	5.60%-7.75%	280,000	0	(70,000)	210,000	70,000
1996/2016	Perry Area 166S	965,000	4.95%-6.75%	300,000	0	(50,000)	250,000	50,000
1999/2019	Proj. 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	850,000	5.80%	330,000	0	(50,000)	280,000	50,000
2000/2020	Girdled, Wood, Timberlane 206W, 220W, 227W	1,145,000	5.60%	595,000	0	(55,000)	540,000	60,000
2000/2020	Pinecrest Area, Beechersbrook Lane, Imperial Woods, 216W, 231W, 221S	1,280,000	5.60%	695,000	0	(65,000)	630,000	65,000
2002/2022	Concord Area, Lane, Shepard, Lockwood, 234S, 212W, 240W	2,862,500	2.00%-4.75%	1,968,700	0	(127,100)	1,841,600	133,000
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%	1,255,000	0	(70,000)	1,185,000	70,000
2005/2025	Mount Royal, Spring Lake, Spring Lake Loop, 241W, 246W, 265W	670,000	3.50%-5.00%	550,000	0	(25,000)	525,000	30,000
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%	1,745,000	0	(70,000)	1,675,000	70,000
2009/2029	Maple Street, 291S	540,000	2.00%-5.25%	525,000	0	(20,000)	505,000	20,000
Total Special Assessment Bonds				<u>8,243,700</u>	<u>0</u>	<u>(602,100)</u>	<u>7,641,600</u>	<u>618,000</u>
Other Long-Term Liabilities								
2008/2018	US Rte 20 Storm Drainage Outlet Sewer OPWC CG10J	150,000	0.00%	112,500	0	(15,000)	97,500	15,000
2010/2025	Mill-Morr Dr, Ravenna Rd OPWC CG71M	218,009	0.00%	210,742	0	(21,801)	188,941	14,534
2010/2030	River Rd Safety Improvement Phase II OPWC CG34L	588,000	0.00%	573,300	0	(44,100)	529,200	29,400
Total Other Long-Term Liabilities				<u>896,542</u>	<u>0</u>	<u>(80,901)</u>	<u>815,641</u>	<u>58,934</u>
<i>Unamortized Premium on Debt Issues</i>				548,585	0	(30,559)	518,026	30,559
<i>Capital Leases</i>				17,389	0	(6,237)	11,152	6,850
<i>Compensated Absences</i>				12,445,614	823,126	(1,270,450)	11,998,290	883,074
TOTAL GOVERNMENTAL ACTIVITIES				<u>\$38,576,830</u>	<u>\$3,673,126</u>	<u>\$(3,485,247)</u>	<u>\$38,764,709</u>	<u>\$5,317,417</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE H – LONG-TERM DEBT (CONTINUED)

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2011	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2011	AMOUNTS DUE IN ONE YEAR
<i>BUSINESS TYPE ACTIVITIES</i>								
<i>Self Supporting General Obligation Bonds Payable from Enterprise Funds</i>								
<i>Payable From Wastewater Revenues</i>								
2002/2022	Concord Area 234S	1,742,500	2.00%-4.75%	<u>\$1,201,300</u>	<u>\$ 0</u>	<u>\$(77,900)</u>	<u>\$1,123,400</u>	<u>\$ 82,000</u>
Total Payable from Wastewater				<u>1,201,300</u>	<u>0</u>	<u>(77,900)</u>	<u>1,123,400</u>	<u>82,000</u>
Total Self Supporting General Obligation Bonds				<u>1,201,300</u>	<u>0</u>	<u>(77,900)</u>	<u>1,123,400</u>	<u>82,000</u>
<i>OWDA Loans</i>								
<i>Payable From Wastewater Revenues</i>								
1985/2010	Project 140S	12,801,588	9.98%	765,379	0	0	765,379	765,379
2000/2020	Project 218S	36,199,145	4.12%	<u>20,850,478</u>	<u>0</u>	<u>(1,834,161)</u>	<u>19,016,317</u>	<u>1,910,508</u>
Total Payable From Wastewater				<u>21,615,857</u>	<u>0</u>	<u>(1,834,161)</u>	<u>19,781,696</u>	<u>2,675,887</u>
Total OWDA Loans				<u>21,615,857</u>	<u>0</u>	<u>(1,834,161)</u>	<u>19,781,696</u>	<u>2,675,887</u>
<i>Other Long-Term Liabilities</i>								
<i>Payable from Wastewater Revenues</i>								
2006/2025	City of Willoughby Hills	488,959	3.03%	384,311	0	(32,443)	351,868	22,456
2010/2029	Mentor Headlands San Sewer Replacement OPWC CG17K	142,683	0.00%	135,549	0	(7,134)	128,415	7,134
2011/2041	Dundee Glasgow & Kelso Sewer OPWC CG02M	8,402	0.00%	<u>0</u>	<u>8,402</u>	<u>0</u>	<u>8,402</u>	<u>280</u>
Total Payable From Wastewater				<u>519,860</u>	<u>8,402</u>	<u>(39,577)</u>	<u>488,685</u>	<u>29,870</u>
Total Other Long-Term Liabilities				519,860	8,402	(39,577)	488,685	29,870
<i>Landfill Closure and Post Closure Costs</i>				17,949,184	1,262,092	0	19,211,276	0
<i>Compensated Absences</i>				<u>2,143,331</u>	<u>107,093</u>	<u>(259,244)</u>	<u>1,991,180</u>	<u>146,551</u>
<i>TOTAL BUSINESS TYPE ACTIVITIES</i>				<u>\$43,429,532</u>	<u>\$1,377,587</u>	<u>\$(2,210,882)</u>	<u>\$42,596,237</u>	<u>\$2,934,308</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE H – LONG-TERM DEBT (CONTINUED)

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2011 are as follows:

Governmental Activities

YEAR ENDED DEC.	<u>GENERAL OBLIGATION BONDS</u>		<u>SPECIAL ASSESSMENT BONDS</u>		<u>OTHER LONG-TERM DEBT</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 870,000	\$ 727,617	\$ 618,000	\$ 372,542	\$ 58,934	\$ 0
2013	905,000	692,737	630,950	344,451	58,934	0
2014	945,000	656,447	641,850	315,337	58,934	0
2015	985,000	609,558	582,750	285,420	58,934	0
2016	845,000	560,600	580,700	259,017	58,934	0
2017-2021	4,885,000	2,129,425	2,729,450	883,667	242,169	0
2022-2026	4,935,000	781,750	1,472,900	283,138	190,602	0
2027-2031	455,000	96,500	385,000	32,837	88,200	0
2032	<u>105,000</u>	<u>5,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	<u>\$14,930,000</u>	<u>\$6,259,884</u>	<u>\$7,641,600</u>	<u>\$2,776,409</u>	<u>\$815,641</u>	<u>\$ 0</u>

Business-Type Activities

YEAR ENDED DEC.	<u>GENERAL OBLIGATION BONDS</u>		<u>O.W.D.A. LOANS</u>		<u>OTHER LONG-TERM DEBT</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 82,000	\$ 52,479	\$ 2,675,887	\$ 763,995	\$ 29,870	\$ 10,493
2013	84,050	49,446	1,990,031	684,471	30,556	9,807
2014	88,150	46,210	2,072,864	601,637	31,262	9,101
2015	92,250	42,684	2,159,146	515,356	31,990	8,373
2016	94,300	38,809	2,249,019	425,483	32,740	7,622
2017-2021	555,550	114,702	8,634,749	726,006	175,784	26,031
2022-2026	127,100	6,037	0	0	130,880	5,037
2027-2031	0	0	0	0	22,803	0
2032-2036	0	0	0	0	1,400	0
2037-2041	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,400</u>	<u>0</u>
TOTALS	<u>\$1,123,400</u>	<u>\$ 350,367</u>	<u>\$ 19,781,696</u>	<u>\$ 3,716,948</u>	<u>\$488,685</u>	<u>\$ 76,464</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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. The following is a schedule of the future minimum lease payments for the above capital leases and the present values of minimum lease payments at December 31, 2011.

<u>YEAR</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2012	\$7,608
2013	4,438
Less Amount Represent Interest	<u>(894)</u>
Present Value of Future Minimum Lease Payments	<u>\$11,152</u>

At December 31, 2011 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 \$3,277,696. Of this amount, \$3,217,651 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>
2012	\$ 741,496
2013	656,805
2014	499,883
2015	482,004
2016	457,504
2017	<u>440,004</u>
	<u>\$3,277,696</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 2010, the County received an interest-free loan in the amount \$806,009 from the Ohio Public Works Commission (OPWC) to finance two road construction projects. Also in 2010, the County received another OPWC loan, in the amount of \$142,683 for business type activities to finance a wastewater line project. In 2011, the County received another OPWC loan, in the amount of \$8,402 for business type activities to finance a wastewater line project.

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, 2011, \$720,000 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
FOR THE YEAR ENDED DECEMBER 31, 2011

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 \$351,868 as of the balance sheet date, is to be financed from wastewater revenues. The agreement further provides for the reconveyance of the assets and the responsibility for servicing the related indebtedness to the City in the event disposition of such by the County is desired or found necessary. Additional other long-term obligations are interest-free loans from the Ohio Public Works Commission. Two are for governmental activities for road repairs and one is for business-type activities for wastewater system improvements.

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE H – LONG-TERM DEBT (CONTINUED)

The County has pledged future wastewater revenues to repay OWDA loans and OPWC loans. All of the debt is solely payable from net revenues and are payable through 2029. Annual principal and interest payments on the wastewater debt are expected to require 63 percent of net revenue and 23 percent of total revenues. The total principal and interest remaining to be paid on the wastewater debt is \$25,537,560. Principal and interest paid for the year for the wastewater debt was \$2,858,745, total net revenues were \$6,066,841 and total operating revenues were \$16,505,562.

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, 2011, the County had an unvoted debt margin of \$45.5 million and a direct debt margin of \$140.2 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, 2011, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$121,385,000.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE I – NOTES PAYABLE

A summary of note transactions for the year ended December 31, 2011 follows:

Year Issued	Purpose/Description	Interest Rate	Final Maturity	Balance January 1, 2011	Principal Issued in 2011	Principal Retired in 2011	Balance December 31, 2011
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GENERAL OBLIGATION NOTES PAYABLE:

2010	County Garage Purchase and Renovation	1.00%	2011	<u>\$2,900,000</u>	<u>\$ 0</u>	<u>\$2,900,000</u>	<u>\$ 0</u>
TOTAL GENERAL OBLIGATIONS NOTES				<u>\$2,900,000</u>	<u>\$ 0</u>	<u>\$2,900,000</u>	<u>\$ 0</u>

NOTES PAYABLE FROM ENTERPRISE FUNDS:

Payable from Water Funds:

1991	Ohio Water & Sewer Rotary Commission	0%	2011	\$ 23,427	\$ 0	\$23,427	\$ 0
2010	Water District Improvement Note 302W	1.125%	2011	750,000	0	750,000	0
2011	Water District Improvement Note 302W	1.00%	2012	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Total Notes Payable From Water Funds				<u>\$773,427</u>	<u>\$ 500,000</u>	<u>\$773,427</u>	<u>\$ 500,000</u>

Payable From Wastewater Funds:

2010	Sewer District Improvement Note 294S	1.50%	2011	\$ 540,000	\$ 0	\$540,000	\$ 0
2010	Sewer District Improvement Note 284S	1.50%	2011	5,220,000	0	5,220,000	0
2010	Sewer District Improvement Note 314S	1.25%	2011	120,000	0	120,000	0

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE I – NOTES PAYABLE (CONTINUED)

A summary of note transactions for the year ended December 31, 2011 follows:

Year Issued	Purpose/Description	Interest Rate	Final Maturity	Balance January 1, 2011	Principal Issued in 2011	Principal Retired in 2011	Balance December 31, 2011
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS (Continued):</u>							
<u>Payable from Wastewater Funds (continued):</u>							
2010	Sewer District Improvement Note 285S	1.125%	2011	\$ 1,320,000	\$ 0	\$1,320,000	\$ 0
2011	Sewer District Improvement Note 294S	1.50%	2012	0	360,000	0	360,000
2011	Sewer District Improvement Note 284S	1.50%	2012	0	5,220,000	0	5,220,000
2011	Sewer District Improvement Note 314S	1.00%	2012	0	90,000	0	90,000
2011	Sewer District Improvement Note 285S	1.00%	2012	<u>0</u>	<u>990,000</u>	<u>0</u>	<u>990,000</u>
Total Notes Payable From Wastewater Revenues				<u>\$7,200,000</u>	<u>\$6,660,000</u>	<u>\$7,200,000</u>	<u>\$6,660,000</u>
<u>Payable from Solid Waste Funds</u>							
2010	Solid Waste District Area C4 Phase 4 Note	1.50%	2011	\$ 760,000	\$ 0	\$ 760,000	\$ 0
2011	Solid Waste District Area C4 Phase 4 Note	1.50%	2011	<u>0</u>	<u>360,000</u>	<u>0</u>	<u>360,000</u>
Total Notes Payable from Solidwaste Revenues				<u>\$ 760,000</u>	<u>\$ 360,000</u>	<u>\$ 760,000</u>	<u>\$ 360,000</u>
TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS				<u>\$8,773,427</u>	<u>\$ 7,520,000</u>	<u>\$8,733,427</u>	<u>\$ 7,520,000</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
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Pension Benefits

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in the state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The County's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

Pension Benefits (Continued)

The County's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$6,084,512, \$7,679,294, and \$7,168,051, respectively. 100 percent has been contributed for 2011, 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$213,491 made by the County and \$152,494 made by the plan members.

Other Postemployment Benefits (OPEB)

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order 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 mandate, 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 by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town St., 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Other Postemployment Benefits (OPEB) (Continued)

These are the maximum employer contribution rates permitted by the Ohio Revised Code.

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 portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$2,380,767, \$4,290,801 and \$5,042,952, which were equal to the required contribution.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1st of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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.

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,

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) (Continued)

Pension Benefits (Continued)

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.

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed the statutory maximum rates of 10 percent for members and 14 percent for employers. For the year ended December 31, 2011, plan members were required to contribute 10 percent of their annual covered salary. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The County's required contributions for pension obligations to the DB Plan for years ended December 31, 2011, 2010, and 2009 were \$49,796, \$56,248, and \$74,868, respectively; 100 percent has been contributed for fiscal year 2011, 2010, and 2009. 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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) (Continued)

Other Postemployment Benefits (OPEB) (Continued)

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 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$3,831, \$4,327, and \$5,348, respectively, which equaled the required amount.

NOTE K – PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2010 taxes.

2011 real property taxes are levied after October 1, 2011 on the assessed value as of January 1, 2011 lien date. Assessed values are established by State law at 35% of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011 and are collected in 2012 with real property taxes.

The State of Ohio, with the passage of House Bill No. 66, which was signed into law on June 30, 2005, phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general businesses and railroads was eliminated by calendar year 2008. The tax on telephone and telecommunications was eliminated by calendar year 2011. For the telephone and telecommunications companies, the personal property tax is due by September 20th. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2006-2010, the County was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE K – PROPERTY TAX REVENUES (CONTINUED)

The full tax rate for all County operations for the year ended December 31, 2011, was \$10.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$6,032,522,110
Public Utility Personal Property	<u>380,705,610</u>
Total Assessed Value	<u>\$6,413,227,720</u>

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property tax receivables represent real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011 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 2011 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
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE L – RECEIVABLES AND INTERGOVERNMENTAL REVENUES

Receivables at December 31, 2011, 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 \$9,184,545 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$140,137.

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

GENERAL FUND

Homestead and Rollbacks	\$1,899,895
Ohio Local Government Fund Distribution	1,870,848
State Public Defender Reimbursement	520,027
State Property Tax Reimbursement	448,225
Utility Deregulation Reimbursement	324,993
Board of Elections Reimbursements	45,523
Planning Commission Grants	39,000
Juvenile Group/Detention Home Subsidies	37,343
Neighboring Grant	32,035
Sheriff’s Grants & Reimbursements	14,846
Submerge Lands	11,299
Miscellaneous Reimbursements	<u>1,747</u>
Total – General Fund	<u>\$5,245,781</u>

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE L – RECEIVABLES AND INTERGOVERNMENTAL REVENUES (CONTINUED)

SPECIAL REVENUE FUNDS

Federal and State Mental Retardation Grants	\$16,486,147
Federal and State Mental Health Grants	11,493,509
State Transportation Taxes	8,305,907
Federal and State Public Assistance Grants and Reimbursements	6,339,698
Homestead and Rollbacks	5,229,135
Community and Economic Development Grants	4,887,905
State Property Tax Reimbursement	2,213,177
Federal and State Children's Services Grants and Reimbursements	2,150,261
Child Support Enforcement Incentives	2,131,555
Community Corrections Grant	1,058,924
Utility Deregulation Reimbursement	1,019,362
Public Safety Grants and Reimbursement	1,015,071
State Probation Grants	436,405
Prosecutor's Victims Assistance Grant	355,333
Drug/Alcohol Grants	77,499
Miscellaneous	20,175
Communication System Subsidies	<u>9,000</u>
Total – Special Revenue Funds	<u>63,229,063</u>

CAPITAL PROJECT FUNDS

Communication System Grants	1,399,473
Transportation Grants	<u>82,395</u>
Total – Capital Project Funds	<u>1,481,868</u>

TOTAL INTERGOVERNMENTAL REVENUES \$69,956,712

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2011, 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	\$1,224,524	\$2,189,563	\$ 0	\$440,000	\$3,854,087
Water	0	100,000	0	0	0	100,000
Nonmajor Special Revenue	149,000	5,554,005	110,888	1,000,000	0	6,813,893
Nonmajor Capital Project	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$149,000</u>	<u>\$6,878,529</u>	<u>\$2,300,451</u>	<u>\$1,000,000</u>	<u>\$440,000</u>	<u>\$10,767,980</u>

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011, encumbrances outstanding in governmental funds and proprietary funds which were reappropriated in the 2012 budget were:

General Fund	\$ 171,094
DD Board	15,477
ADAMHS Board	26,085
Non-Major Special Revenue Funds	2,088,003
Non-Major Capital Projects Funds	1,012,772
Enterprise Funds	<u>228,934</u>
Total	<u>\$3,542,365</u>

On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2011 encumbrances less these accrued liabilities were:

General Fund	\$ 96,591
DD Board	6,888
ADAMHS Board	25,905
Non-Major Special Revenue Funds	1,505,392
Non-Major Capital Projects Funds	894,499
Enterprise Funds	<u>40,415</u>
Total	<u>\$2,569,690</u>

NOTE O – CONTINGENCIES, JUDGEMENTS AND CLAIMS

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

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

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 \$19.2 million reported as landfill closure and post closure care liability at December 31, 2011, represents the cumulative amount reported to date based on the use of 87% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$3.6 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 2011. 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.

NOTE Q – RELATED PARTY TRANSACTIONS

During 2011, 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 \$72,762 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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE R – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County contracted with CORSA (County Risk Sharing Authority, Inc.) for property and general liability coverage including automobiles, equipment and public officials liability. The County also maintains health-care benefits, as well as additional property and general liability coverage, from private carriers. There were no significant reductions in coverage in 2011 as compared to the previous year. Insurance premiums paid to private carriers during 2011 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 \$227,123 and dental claims of \$40,242, have been accrued based upon a review of the January, 2012 billings provided by the County Commissioners' Office.

The total claims liability of \$267,365 reported in the internal service fund at December 31, 2011, 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>				
2009	\$127,019	\$3,201,903	\$3,160,912	\$ 168,010
2010	168,010	3,312,480	3,324,712	155,778
2011	155,778	4,070,552	3,999,207	227,123
<u>Dental</u>				
2009	29,239	628,834	634,087	23,986
2010	23,986	658,253	625,236	57,003
2011	57,003	680,533	697,294	40,242

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE S – PUBLIC ENTITY RISK POOLS

COUNTY RISK SHARING AUTHORITY

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

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2011 was \$850,342.

NOTE T – DEFICIT FUND BALANCES/NET ASSETS

At December 31, 2011, the following funds had deficit fund balances/net assets:

Juvenile Court Computerization	\$ 123,797
Workforce Investment Act	118,837
Neighborhood Stabilization	36,494
Garage	91,510
Mailroom	676
Central Purchasing	43,261

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.

LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE U – SUBSEQUENT EVENTS

On June 24, 2012, the County retired \$5,220,000 in bond anticipation notes and issued \$5,435,000 in bonds for the construction of Kirtland Sanitary Sewer Project -284S. The new bonds have various interest rates ranging from 1.0 to 3.75 percent and mature in December 2042.

On July 23, 2012, the County retired \$2,850,000 in bond anticipation notes and reissued \$2,850,000 in notes for the improvement of the County Service Garage. The new notes have an interest rate of 1.00 percent and mature on July 23, 2013.

On July 23, 2012, the County retired \$2,300,000 in bond anticipation notes and reissued \$5,520,000 in notes for various utility projects. The new notes have an interest rate of 1.0 percent and mature on July 23, 2013.

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education:</i>			
Nutrition Cluster			
National School Breakfast Program	10.553	N/A	\$16,731
National School Lunch Program - Cash Disbursements	10.555	N/A	26,760
National School Lunch Program - Non-Cash Disbursements	10.555		<u>4,635</u>
<i>Subtotal CFDA 10.555</i>			<u>31,395</u>
Total Nutrition Cluster			48,126
<i>Passed through the Ohio Department of Jobs and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFFB11	538,596
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFFB12	144,529
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFF111	<u>1,362</u>
<i>Subtotal CFDA 10.561</i>			<u>684,487</u>
SUBTOTAL U.S. DEPARTMENT OF AGRICULTURAL			<u>732,613</u>
U.S. DEPARTMENT OF COMMERCE			
<i>Direct program:</i>			
Public Safety Interoperable Communications Grant	11.555	2007-GS-H7-0053	<u>412,249</u>
SUBTOTAL U.S. DEPARTMENT OF COMMERCE			<u>412,249</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
<i>Direct programs:</i>			
Community Development Block Grant/Entitlements Grants Cluster			
Community Development Block Grants/Entitlements Grants	14.218	B-09-UC-390007	424,946
Community Development Block Grants/Entitlements Grants	14.218	B-08-UC-390007	980,999
Community Development Block Grants/Entitlements Grants	14.218	B-08-UN-39-0005	<u>1,425,779</u>
<i>Subtotal CFDA 14.218</i>			<u>2,831,724</u>
Community Development Block Grants/Entitlements Grants - ARRA	14.253	B-09-UY-39-0007	<u>70,780</u>
Total Community Development Block Grant/Entitlements Grants Cluster			2,902,504
Shelter Plus Care	14.238	N/A	195,418
Shelter Plus Care	14.238	N/A	<u>157,047</u>
<i>Subtotal CFDA 14.238</i>			<u>352,465</u>
Home Investment Partnership Program	14.239	M-09-UC-390201	6,057
Home Investment Partnership Program	14.239	M-10-UC-390201	<u>291,049</u>
<i>Subtotal CFDA 14.239</i>			<u>297,106</u>
Homeless Prevention and Rapid Rehousing Program - ARRA	14.257	S-09-UY-39-007	<u>279,451</u>
SUBTOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>3,831,526</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Expenditures
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Department of Youth Services:</i>			
Juvenile Accountability Block Grants	16.523	2009-JB-002-A002	\$15,356
<i>Passed Through The Ohio Attorney General's Office:</i>			
Crime Victims Assistance	16.575	2011VAGENE039	109,727
Crime Victims Assistance	16.575	2012VAGENE039	39,162
<i>Subtotal CFDA 16.575</i>			<u>148,889</u>
<i>Passed Through The Ohio Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	16.588	2009-WF-VA5-8211A	31,871
Violence Against Women Formula Grants	16.588	2010-WF-VA5-8211A	28,129
<i>Subtotal CFDA 16.588</i>			<u>60,000</u>
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2010-PC-NFS-7802	35,264
<i>Direct programs:</i>			
Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0217	987,224
Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Governments	16.804	2011-DJ-BX-0021	<u>33,575</u>
SUBTOTAL U.S. DEPARTMENT OF JUSTICE			<u>1,280,308</u>
U.S. DEPARTMENT OF LABOR			
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>			
Employment Service/Wagner-Peyser Funded Activities	17.207	JFSFES09	4,403
Employment Service/Wagner-Peyser Funded Activities	17.207	JFSFES10	38,282
Employment Service/Wagner-Peyser Funded Activities	17.207	JFSFES11	12,756
<i>Subtotal CFDA 17.207</i>			<u>55,441</u>
Workforce Investment Act (WIA) Cluster			
WIA Adult Program	17.258	JFSFAF10	20,572
WIA Adult Program	17.258	JFSFAP10	7,506
WIA Adult Program	17.258	JFSFAF10	97,711
WIA Adult Program	17.258	JFSFAF11	299,308
WIA Adult Program	17.258	JFSFAP10	43,539
WIA Adult Program	17.258	JFSFAP11	10,585
WIA Adult Program	17.258	JFSFSW10	894
WIA Adult Program - ARRA	17.258	JFSFSW10S	5,657
WIA Adult Program - ARRA	17.258	JFSFSW10S	19,304
WIA Adult Program	17.258	JFSFSW10	502
<i>Subtotal CFDA 17.258</i>			<u>505,578</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Expenditures
U.S. DEPARTMENT OF LABOR (Continued)			
Workforce Investment Act (WIA) Cluster (Continued)			
WIA Youth Activities	17.259	JFSFYP09	\$44,233
WIA Youth Activities	17.259	JFSFYP10	293,093
WIA Youth Activities	17.259	JFSFYP11	50,425
WIA Youth Activities - ARRA	17.259	JFSFSW10S	46,356
<i>Subtotal CFDA 17.259</i>			<u>434,107</u>
WIA Dislocated Workers	17.278	JFSFDF10	4,079
WIA Dislocated Workers - ARRA	17.278	JFSFNJ09S	2,038
WIA Dislocated Workers - ARRA	17.278	JFSFNJ09S	36,930
WIA Dislocated Workers - ARRA	17.278	JFSFDF09S	15,509
WIA Dislocated Workers - ARRA	17.278	JFSFSW10S	48,295
WIA Dislocated Worker Formula Grants	17.278	JFSFDF11	29,305
WIA Dislocated Worker Formula Grants	17.278	JFSFDP10	41,192
WIA Dislocated Worker Formula Grants	17.278	JFSFDP11	42,348
WIA Dislocated Worker Formula Grants	17.278	JFSFDP12	654,587
<i>Subtotal CFDA 17.278</i>			<u>874,283</u>
Total Workforce Investment Act (WIA) Cluster			1,813,968
Disabled Veterans' Outreach Program (DVOP)	17.801	JFSFVD11	6,318
Disabled Veterans' Outreach Program (DVOP)	17.801	JFSFVD11	3,238
<i>Subtotal CFDA 17.801</i>			<u>9,556</u>
Local Veterans' Employment Representative Program	17.804	JFSFVL11	665
Local Veterans' Employment Representative Program	17.804	JFSFVL11	277
<i>Subtotal CFDA 17.804</i>			<u>942</u>
SUBTOTAL U.S. DEPARTMENT OF LABOR			<u>1,879,907</u>
U.S. FEDERAL HIGHWAY ADMINISTRATION			
<i>Passed Through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	20.205	N/A	2,540,068
Highway Planning and Construction - ARRA	20.205	N/A	934,587
<i>Subtotal CFDA 20.205</i>			<u>3,474,655</u>
SUBTOTAL U.S. FEDERAL HIGHWAY ADMINISTRATION			<u>3,474,655</u>
U.S. DEPARTMENT OF ENERGY			
<i>Direct program:</i>			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	N/A	159,265
SUBTOTAL U.S. DEPARTMENT OF ENERGY			<u>159,265</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education:</i>			
Special Education Cluster			
Special Education: Grants to States	84.027	070037-6BSF-2011P	\$68,901
Special Education: Preschool Grants	84.173	070037-PGS1-2011P	<u>16,343</u>
Total Special Education Cluster			<u>85,244</u>
SUBTOTAL U.S. DEPARTMENT OF EDUCATION			<u>85,244</u>
U.S. ELECTION ASSISTANCE COMMISSION			
<i>Passed Through the Ohio Secretary of State:</i>			
Help America Vote Act Requirements Payments	90.401	N/A	<u>5,342</u>
SUBTOTAL U.S. ELECTION ASSISTANCE COMMISSION			<u>5,342</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through The Ohio Department of Alcohol & Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	BG43	282,896
Block Grants for Prevention and Treatment of Substance Abuse	93.959	BG43	313,791
Block Grants for Prevention and Treatment of Substance Abuse	93.959	43-01316-WOMEN-T-11-9013	36,173
Block Grants for Prevention and Treatment of Substance Abuse	93.959	43-01316-WOMEN-T-12-9013	33,753
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	16,782
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	16,387
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	2,209
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	3,310
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>53,452</u>
<i>Subtotal CFDA 93.959</i>			<u>758,753</u>
<i>Passed Through the Ohio Secretary of State:</i>			
Voting Access for Individuals with Disabilities Grants to States	93.617	N/A	1,700
<i>Passed Through The Ohio Department of Health:</i>			
Injury Prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-04-11	52,446
Injury prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-05-12	<u>5,554</u>
<i>Subtotal CFDA 93.136</i>			<u>58,000</u>
<i>Passed Through The Ohio Department of Mental Health:</i>			
Projects for Assistance in Transition from Homelessness	93.150	N/A	50,000
Block Grants for Community Health Services	93.958	N/A	46,031
Block Grants for Community Health Services	93.958	N/A	<u>69,973</u>
<i>Subtotal CFDA 93.958</i>			<u>116,004</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>			
Promoting Safe and Stable Families	93.556	JFSFPF11	\$1,728
Promoting Safe and Stable Families	93.556	JFSFPF12	1,715
Promoting Safe and Stable Families	93.556	JFSFPF11	1,635
Promoting Safe and Stable Families	93.556	JFSFPF12	4,919
Promoting Safe and Stable Families	93.556	JFSFPF11	1,436
Promoting Safe and Stable Families	93.556	JFSFPF12	1,503
Promoting Safe and Stable Families	93.556	JFSFPF11	6,250
Promoting Safe and Stable Families	93.556	JFSFPF12	3,866
Promoting Safe and Stable Families	93.556	JFSFMC11	83
Promoting Safe and Stable Families	93.556	JFSFMC12	91
Promoting Safe and Stable Families	93.556	JFSFMC11	902
Promoting Safe and Stable Families	93.556	JFSFMC12	1,086
Promoting Safe and Stable Families	93.556	JFSFPF11	63,243
Promoting Safe and Stable Families	93.556	JFSFPF12	<u>30,868</u>
<i>Subtotal CFDA 93.556</i>			119,325
Temporary Assistance for Needy Families	93.558	JFSFTF11	1,198,352
Temporary Assistance for Needy Families	93.558	JFSFTF12	108,390
Temporary Assistance for Needy Families	93.558	JFSFTF11	674,419
Temporary Assistance for Needy Families	93.558	JFSFTF12	397,217
Temporary Assistance for Needy Families	93.558	JFSFTF11	<u>842</u>
<i>Subtotal CFDA 93.558</i>			2,379,220
Child Support Enforcement	93.563	N/A	223,843
Child Support Enforcement	93.563	N/A	290,097
Child Support Enforcement	93.563	JFSFCS11	1,510,399
Child Support Enforcement	93.563	JFSFCS12	485,046
Child Support Enforcement	93.563	JFSOLOCL09	49,351
Child Support Enforcement	93.563	JFSOLOCL11	<u>437,329</u>
<i>Subtotal CFDA 93.563</i>			2,996,065
Community Based Child Abuse Prevention Grants	93.590	JFSFCB10	2,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFPF11	1,370
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFPF12	1,301
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFPF11	15,114
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFPF12	<u>11,510</u>
<i>Subtotal CFDA 93.645</i>			29,295
Foster Care Title IV-E	93.658	N/A	1,717,524
Foster Care Title IV-E - ARRA	93.658	N/A	<u>62,105</u>
<i>Subtotal CFDA 93.658</i>			1,779,629
Adoption Assistance	93.659	JFSFAA11	153
Chaffe Foster Care Independence Program	93.674	JFSFIL11	11,351
Chaffe Foster Care Independence Program	93.674	JFSFIL12	<u>5,589</u>
<i>Subtotal CFDA 93.674</i>			16,940

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<i>Passed Through The Ohio Department of Jobs and Family Services (Continued):</i>			
Children's Health Insurance Program	93.767	JFSFSH11	\$7,196
Children's Health Insurance Program	93.767	JFSFSH12	<u>1,643</u>
<i>Subtotal CFDA 93.767</i>			<u>8,839</u>
<i>Passed Through The Ohio Department of Mental Health:</i>			
Social Services Block Grant	93.667	N/A	79,324
Social Services Block Grant	93.667	N/A	<u>34,532</u>
			113,856
<i>Passed Through The Ohio Department of Developmental Disabilities (DD):</i>			
Social Services Block Grant	93.667	N/A	184,370
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>			
Social Services Block Grant	93.667	JFSFSS11	227,142
Social Services Block Grant	93.667	JFSFSS12	73,432
Social Services Block Grant	93.667	JFSFTX11	188,984
Social Services Block Grant	93.667	JFSFTX12	<u>3,594</u>
			<u>493,152</u>
<i>Subtotal CFDA 93.667</i>			791,378
<i>Passed Through The Ohio Department of Alcohol & Drug Addiction Services:</i>			
Medical Assistance Program	93.778	N/A	628,427
<i>Passed Through The Ohio Department of Mental Health:</i>			
Medical Assistance Program	93.778	N/A	5,891,166
<i>Passed Through The Ohio Department of Developmental Disabilities (DD):</i>			
Medical Assistance Program - ARRA	93.778	N/A	218,131
Medical Assistance Program	93.778	N/A	<u>830,388</u>
			1,048,519
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>			
Medical Assistance Program	93.778	JFSFMT11	244,797
Medical Assistance Program	93.778	JFSFMT12	59,866
Medical Assistance Program	93.778	JFSFMT11	477,028
Medical Assistance Program	93.778	JFSFMT12	<u>121,542</u>
			<u>903,233</u>
<i>Subtotal CFDA 93.778</i>			8,471,345
<i>Child Care Block Grant Cluster</i>			
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>			
Child Care and Development Block Grant	93.575	JFSFCD12	3,287
Child Care and Development Block Grant	93.575	JFSFCD11	<u>6,546</u>
<i>Subtotal CFDA 93.575</i>			9,833
<i>Passed Through The Ohio Department of Mental Health:</i>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	24,662
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	JFSFCD11	45,548
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	JFSFCM11	33,881
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	JFSFCM12	<u>59,121</u>
<i>Subtotal CFDA 93.596</i>			<u>163,212</u>
Total Child Care Block Grant Cluster			<u>173,045</u>
SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>17,751,691</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Expenditures
U.S.DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through The Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grant	97.042	DPSFE150/24108	\$97,449
Emergency Management Performance Grant	97.042	DPSFE170/33899	<u>39,978</u>
<i>Subtotal CFDA 97.042</i>			<u>137,427</u>
Homeland Security Grant Program	97.067	DPSFE158/OPSG11004	13,705
Homeland Security Grant Program	97.067	DPSFE154/32554	6,163
Homeland Security Grant Program	97.067	E130/14306	205,063
Homeland Security Grant Program	97.067	DPSFE146/20644	193,461
Homeland Security Grant Program	97.067	DPSFE154/27969	160,147
Homeland Security Grant Program	97.067	DPSFE154/30868	1,446
Homeland Security Grant Program	97.067	DPSFE132/20021	<u>4,211</u>
			584,196
<i>Passed Through The City of Cleveland, Department of Public Safety:</i>			
Homeland Security Grant Program	97.067	2008-GE-T8-0025	<u>186,000</u>
<i>Subtotal CFDA 97.067</i>			<u>770,196</u>
SUBTOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>907,623</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$30,520,423</u></u>

The accompanying notes are an integral part of this schedule

LAKE COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE FISCAL YEAR ENDED DECEMBER 31, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Lake County's (the County) federal award programs' disbursements. 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 those 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 - COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN PROGRAM

Lake County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block Grant Program (CFDA #14.218). The purpose of the loan program is to provide loans to various businesses to assist in expansion or modernization of equipment. As of December 31, 2011, the total amount of loans outstanding was \$88,537.

CFDA – Catalog of Federal Domestic Assistance



Dave Yost • 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, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County) as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 15, 2013, wherein we noted the County adopted the provisions of Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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*.

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 May 15, 2013.

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

Dave Yost
Auditor of State

May 15, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of the County's major federal programs for the year ended December 31, 2011. 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.

Our compliance audit followed 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*. These 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, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2011.

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 the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over 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.

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, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

May 15, 2013

LAKE COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 93.778 - Medical Assistance Program; CFDA # 20.205 – Highway Planning and Construction; CFDA # 16.710 – Community Policing Grants (COPS); CFDA # 14.257 – Homeless Prevention and Rapid Rehousing; CFDA # 81.128 – Energy Efficiency CFDA # 93.959 – Prevention and Treatment of Substance Abuse; CFDA # 93.575, 93.596 – Child Care Block Grant Cluster; CFDA # 14.239 – Home Investment partnership Program.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 915,612 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

LAKE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2011
(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



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LAKE COUNTY 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
MAY 30, 2013