



Financial Section

Financial Section

INDEPENDENT AUDITOR'S REPORT

The Board of County Commissioners,
County Auditor and County Treasurer
Lorain County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lorain County, Ohio, (the County) as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Murray Ridge Production Center, Inc., a discretely presented component unit, which statements reflect total assets of \$1,638,425 as of June 30, 2006, and total revenues of \$1,815,494 for the year then ended. We did not audit the financial statements of the Lorain County Regional Airport Authority, a discretely presented component unit, which statements reflect total assets of \$63,189 as of December 31, 2006, and total revenues of \$371,291 for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the Murray Ridge Production Center, Inc. and the Lorain County Regional Airport Authority, discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Murray Ridge Production Center, Inc. were not audited by the other auditors in accordance with *Government Auditing Standards*. 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 that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Job & Family Services, Children Services, Community Mental Health and MRDD for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2007 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

August 28, 2007

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2006

The discussion and analysis of Lorain County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2006. It is the intent of this discussion and analysis to look at the County's performance as a whole. Note that readers should also review the transmittal letter and the financial statements to further understand the County's financial performance.

Financial Highlights

Key financial highlights for 2006 are:

- The General Fund balance decreased \$2,577,756 or 7.0%
- The County had an increase in sales tax revenues, real estate tax collections and investment income during 2006.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lorain County as an entire operating entity. The basic financial statements are comprised of three components: The Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements. The statements also provide additional information of specific financial conditions.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Statement of Net Assets and Statement of Activities - The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information indicating the County's net assets change during the current year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used in a private-sector business. This basis of accounting takes into consideration all of the current year's revenues and expenditures, regardless of when the cash is received or paid.

These two statements report the County's net assets and the change in those assets. The change in net assets informs the reader as to whether, 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 the County's capital assets should also be evaluated.

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

Government Activities – The reporting of services including public safety, social services programs, administration, and all departments, with the exception of our Lorain County Regional Airport, Sewer Fund and Transit System, are reported as Government Activities.

Business-Type Activities – The County charges user fees to recoup the cost of the operation of the Sewer System and County Transit as well as all capital expenses associated with the facilities.

Component Units – The County includes financial data of the Lorain County Regional Airport Authority, Murray Ridge Production Center, Inc. and the Lorain County Port Authority. These component units are described in Note 1 of the Notes to the Financial Statements. The component units are separate entities and may buy, sell, lease and mortgage property in their own name and can sue or be sued in their own name.

The Government-wide Financial Statements can be found on pages 13-15 of this report.

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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 objects. 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 the following three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds. Fund financial reports provide detailed information about those funds. Based on restriction on use of dollars in those funds, the County has established many funds that account for the multitude of services provided to our residents. However, these fund financial statements focus on the County's most significant funds. Lorain County's major funds are: General Fund, Board of Mental Retardation and Developmental Disabilities (MRDD), Children Services, Community Mental Health, Job and Family Services, Q Construction and Lorain County Regional Airport.

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, government 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 helpful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the County's near-term financial decisions. Both the Governmental Funds Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains several individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 16-21 of this report.

The County adopts an annual appropriated budget for all county funds under its jurisdiction. A budgetary comparison statement has been provided for the General Fund, Job & Family Service Fund, Children Services Fund, Community Mental Health and MRDD Fund to demonstrate compliance with this budget.

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 an Enterprise Fund to account for the Lorain County Regional Airport, Sanitary Engineer operations and the Lorain County Transit System. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County used an Internal Service Fund to account for the medical self-insurance. The proprietary fund financial statements can be found on pages 28-31 of this statement.

Fiduciary Funds – Are used to account for resources held for the benefit of parties outside the government. 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 Fiduciary Fund financial statements can be found on page 32 of this statement.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-71 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that can be found on pages 73-192 of this report.

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Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of Lorain County, assets exceeded liabilities by \$313.0 million (\$288.9 million in governmental activities and \$24.1 million in business-type activities) as of December 31, 2006. The largest portion of the County's net assets (53.87%) is in unrestricted net assets and (41.9%) is in investment in capital assets (i.e.; buildings, land, equipment and machinery, infrastructure), less any related debt used to acquire those assets that are still outstanding. Lorain 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 the capital assets themselves cannot be used to liquidate these liabilities. Net assets are included in the following Table 1.

TABLE 1
NET ASSETS
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets						
Current and Other Assets	\$220.6	\$213.9	\$ 1.0	\$ 1.0	\$221.6	\$214.9
Capital Assets, net	<u>141.4</u>	<u>135.6</u>	<u>25.8</u>	<u>11.6</u>	<u>167.2</u>	<u>147.2</u>
Total Assets	<u>\$362.0</u>	<u>\$349.5</u>	<u>\$26.8</u>	<u>\$12.6</u>	<u>\$388.8</u>	<u>\$362.1</u>
Liabilities						
Current and Other Liabilities	\$18.3	\$17.9	\$ 1.0	\$.7	\$19.3	\$18.6
Note Payable	7.5	4.7	-	-	7.5	4.7
Long-Term Liabilities due within one year	6.2	5.5	.2	.2	6.4	5.7
Long-Term Liabilities due in more than one year	<u>41.1</u>	<u>37.9</u>	<u>1.0</u>	<u>1.2</u>	<u>42.1</u>	<u>39.1</u>
Total Liabilities	<u>\$73.1</u>	<u>\$66.0</u>	<u>\$ 2.2</u>	<u>\$2.1</u>	<u>\$75.3</u>	<u>\$68.1</u>
Net Assets						
Invested in Capital Assets Net of Debt	\$107.3	\$104.1	\$24.7	\$10.4	\$132.0	\$114.5
Restricted:						
Highways and Streets	2.3	.8	-	-	2.3	.8
Justice Center	5.8	6.9	-	-	5.8	6.9
Sewer Projects	4.8	.2	-	-	4.8	.2
Capital Improvements	.4	4.1	-	-	.4	4.1
Unrestricted	<u>168.3</u>	<u>167.4</u>	<u>(.1)</u>	<u>.1</u>	<u>168.2</u>	<u>167.5</u>
Total Net Assets	<u>\$288.9</u>	<u>\$283.5</u>	<u>\$24.6</u>	<u>\$10.5</u>	<u>\$313.5</u>	<u>\$294.0</u>

At December 31, 2006, Unrestricted assets (\$168.3 million) may be used to meet the County's ongoing obligations to citizens and creditors.

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Table 2 below, indicates the changes in net assets for the year ended December 31, 2006 and 2005.

TABLE 2
CHANGES IN NET ASSETS
(In Millions)

	Governmental		Business Type		Total	
	Activities		Activities			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues						
Program Revenues:						
Charge for Services	\$ 41.0	\$ 39.8	\$2.0	\$1.7	\$ 43.0	\$ 41.5
Operating Grants and Contributions	90.0	92.4	4.2	4.0	94.2	96.4
Capital Grants and Contributions	4.2	5.0	-	-	4.2	5.0
General Revenues:						
Taxes	80.1	74.6	-	-	80.1	74.6
Investment Income	7.8	4.7	-	-	7.8	4.7
Intergovernmental Revenue not Restricted to Specific Programs	8.5	10.6	-	-	8.5	10.6
Other	<u>1.5</u>	<u>.8</u>	<u>-</u>	<u>-</u>	<u>1.5</u>	<u>.8</u>
Total Revenues	<u>\$233.1</u>	<u>\$227.9</u>	<u>\$6.2</u>	<u>\$5.7</u>	<u>\$239.3</u>	<u>\$233.6</u>
Program Expenses						
General Government:						
Legislative and Executive	\$ 34.8	\$ 40.6	\$ -	\$ -	\$ 34.8	\$ 40.6
Judicial System	19.1	17.4	-	-	19.1	17.4
Public Safety	24.6	24.6	-	-	24.6	24.6
Public Works	14.7	14.0	-	-	14.7	14.0
Health	44.7	41.8	-	-	44.7	41.8
Human Services	86.6	83.1	-	-	86.6	83.1
Economic Development and Assist.	.8	1.1	-	-	.8	1.1
Interest and Fiscal Charges	1.9	1.6	-	-	1.9	1.6
Sewer System	-	-	1.2	1.2	1.2	1.2
County Transit	<u>-</u>	<u>-</u>	<u>4.6</u>	<u>4.4</u>	<u>4.6</u>	<u>4.4</u>
Total Program Expenses	<u>\$227.7</u>	<u>\$224.8</u>	<u>\$ 5.8</u>	<u>\$5.6</u>	<u>\$233.5</u>	<u>\$230.4</u>
Increase in Net Assets						
Before Transfers and Contributions	5.4	3.1	.4	.1	5.8	3.2
Transfers and Contributions	<u>-</u>	<u>(.5)</u>	<u>13.7</u>	<u>.5</u>	<u>13.7</u>	<u>-</u>
Change in Net Assets	5.4	2.6	14.1	.6	19.5	3.2
Net Assets – Beginning	<u>283.5</u>	<u>280.9</u>	<u>10.5</u>	<u>9.9</u>	<u>294.0</u>	<u>290.8</u>
Net Assets – Ending	<u>\$288.9</u>	<u>\$283.5</u>	<u>\$24.6</u>	<u>\$10.5</u>	<u>\$313.5</u>	<u>\$294.0</u>

Although the overall Financial Position of the County has improved, personnel costs have increased more rapidly than the growth in revenues.

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Governmental Activities

Tax revenue accounts for \$80,070,425 of the \$233,103,748 total revenue for governmental activity, or 34.3% of total revenue. The major recipients of intergovernmental revenue were the General Fund receiving \$6,954,239 and the Job and Family Services, receiving \$1,501,731.

The County's direct charges to users of governmental services made up \$41,026,549 or 17.6% of total governmental revenue. These charges are for fees for real estate transfers, collection of taxes, fines and forfeitures related to judicial activity, and licenses, permits and fees.

Human Services accounts for \$86,585,102 of the \$227,738,822 total expenses for governmental activities, or 38.0% of total expenditures. The next largest program is Health, which equals \$45,274,813 or 19.9% of total governmental expenses.

Business-Type Activities

The net assets for the business-type activities for the County increased by \$14,056,635 during the year 2006. Major revenue sources were Charges for Services of \$2,019,845 and Operating Grants of \$4,190,206. At the end of 2006 the Lorain County Airport transferred the fixed assets to Lorain County. In 2007 the operations of the airport will be reported by the County.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$112,017,795, an increase of \$5,192,040 in comparison with the prior year. Approximately 71% of this total amount or \$79,533,263 is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not readily available for new spending since it has already been committed to (1) liquidate contracts and purchase orders from the prior or current period of \$13,417,509, (2) to pay debt service of \$3,820,357 or (3) for a variety of other restricted purposes of \$15,246,666.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the General Funds unreserved balance was \$20,363,189, while the total fund balance decreased to \$35,102,640. As a measure of the General Funds liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35.6% of total General Fund expenditures, while total fund balance represents 61.4% of that same amount.

The fund balance of the County's General Fund decreased by approximately \$2,577,756 or 6.8%. This decrease is due in part to an increase in healthcare and insurance costs, increased spending on Economic Development and Public Safety. Off-setting the increase is additional interest income from rising interest and investment rates.

The other major governmental funds of the County are Job and Family Services, Children Services, Community Mental Health, Board of Mental Retardation and Development Disabilities (MRDD), and Q Construction.

The fund balance of the Job and Family Services increased by approximately \$2,446,204. The increase is due to receipt of incentive funding for TANF Program

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The fund balance for Children Services Board increased by \$838,296. The increase is due to increased tax collections and funding amounts in state grants and timing issues on when monies are received.

The fund balance for the Community Mental Health Board increased approximately \$627,081. The increase is due to increased tax collections on a replacement tax levy.

The fund balance for the Board of Mental Retardation and Developmental Disabilities experienced a net increase of \$421,801 due primarily to an increase on tax revenues.

The Q Construction fund balance decreased by \$1,058,562 due to actual construction costs incurred.

Enterprise Funds - The County's Enterprise Funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Sewer fund totaled \$(209,081) and the increase in net assets of the Sewer Fund was \$65,423 for the year. The County Transit Fund unrestricted net assets totaled \$98,075 at year end and net assets increased \$329,262 during the year. The Lorain County Regional Airport transferred its fixed assets to the County at the end of 2006. The County will report the operations of the airport for 2007.

General Fund Budgetary Highlights

As, required by State statute, the Board of County Commissioners adopts an annual appropriation (budget) resolution, effective the first day of January, for all County funds under its jurisdiction. In addition to the County General Fund, ninety-four (94) active funds representing various governmental, proprietary and fiduciary activities are included in the annual appropriation process.

The fiscal dynamics of the County General Fund may be summarized as follows for 2005 and 2006:

	2005	2006	Increase/(Decrease)
Fund Balance at Beginning of Year	\$22,200,589	\$20,409,986	\$(1,790,603)
Revenues	55,295,305	57,244,926	1,949,621
Expenditures	53,481,669	57,208,472	3,726,803
Advances/Transfers In/(Out)	(3,604,239)	(3,675,577)	(71,338)
Fund Balance at End Of Year	\$20,409,986	\$16,770,863	\$(3,639,123)

The ending year County General Fund balance decreased \$3,639,123 or 17.8% as compared to Year 2005. This decrease is a reflection of the total Fund activity, in terms of revenues, expenditures and transfers/advances. Revenues increased by \$1,949,621 (3.5%) represented by strong increase in interest income component. Expenditures increased by \$3,726,803 (7.0%) represented by increases in Judicial, Public Safety, Human Services and Capital Outlay areas combined with a major increase in the Legislative & Executive area. The national, state and local economies continued to recover from the recession of 2001 and 2002 and solid growth in 2005. However, we have to take note that increases to the county general fund expenditures exceeded increases in the county general fund revenues by \$1,777,182.

The recording daily, weekly and monthly general fund revenues and expenditures as compared to the original budget necessitate updates toward a final annual budget. In terms of revenues, not only are daily reviews of specific line item revenue accounts examined closely and independently by both the County Auditor's office and the Commissioners' Budget Department, but also, extensive quarterly reviews for all line item revenue accounts are undertaken on a coordinated and joint effort basis by these departments. Monthly general fund financial reports are prepared which analyze monthly and year-to-date comparisons of revenues, expenditures and cash balances.

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The difference between the General Fund's final budget and actual were minor except for:

- \$3,003,748 in Legislative and Executive which was due to monies allocated to cover potential liabilities and various allocations that were not needed.
- \$8,275,117 in Operating Transfers-out which was originally set aside for budget stabilization, transfers, advances and any unforeseen liabilities not appropriated within other line items as well as long term capital projects that were currently under review. These items never materialized in the current year

The County General Fund is organized and structured on the basis of forty-six (46) Departments and Cost Centers – each with its own set of budgeted line item accounts. For continued growth restraint of County General Fund Expenditures, Commissioners continued several budget policy decisions initiated with the 2006 County General Fund Budget for all Departments:

- 1) Department Salaries & Wages and their associated line item accounts were carefully scrutinized and increased or decreased where necessary.
- 2) Mandated line item accounts were reviewed and increased, decreased or maintained at their 2005 levels as required by the Ohio Revised Code.
- 3) Supplies and Equipment line item accounts were maintained at their 2005 levels.
- 4) Travel and Staff Training line item accounts were maintained at their 2005 levels.
- 5) Discretionary departmental line item accounts were maintained at their 2005 levels.

In terms of total General Fund Expenditures, the diversity of services offered to the public, the following major components are illustrated:

	Service Component	2005 Budget	% Of Total 2005 Budget	2006 Budget	% Of Total 2006 Budget	\$ Increase/ (Decrease)	% Increase/ (Decrease)
1.	Legislative/Executive	\$27,621,804	51.6%	\$28,894,726	50.5%	\$1,272,922	4.6%
2.	Judicial	14,698,031	27.5%	14,975,365	26.2%	277,334	1.9%
3.	Public Safety	7,133,858	13.3%	6,982,953	12.2%	(150,905)	(2.1%)
4.	Capital Outlay	733,667	1.4%	3,067,392	5.4%	2,333,725	318.1%
5.	Human Services	2,563,727	4.8%	2,533,406	4.4%	(30,321)	(1.2%)
6.	Inter-Governmental	464,284	0.9%	465,232	0.8%	948	0.2%
7.	Public Works	262,774	0.5%	285,864	0.5%	23,090	8.8%
8.	Health	3,524	0.0%	3,534	0.0%	10	.3%
	Total Expenditures	\$53,481,669	100.0%	\$57,208,472	100.0%	\$3,726,803	7.0%

Legislative/Executive and Judicial components are responsible for approximately four-fifths (76.7%) of all General Fund Expenditures in 2006, a \$1,550,256 (3.5%) increase as compared to Year 2005. These two service components contain the majority of all personnel who receive salaries and benefits from the County General Fund. One line-item account within these components that is responsible for a large portion of the increased expenditures is the increase cost for employee health insurance & prescription drug coverage. Future issues that will have an effect on the expenditures side of the County General Fund, as related to employee staffing will be the creation of a "Family Court" by combining the current Domestic Relations and Probate Courts and the addition of a sixth Judge to the County Court of Common Pleas.

Capital Assets and Debt Administration

Capital Assets – The County's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$167,298,256 (net of accumulated depreciation). This investment in capital assets includes land, building structures and improvements, vehicles, furniture, fixtures and equipment and infrastructure.

Additional information of the County's capital assets can be found in Note 8.

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Debt Administration

The philosophy and implemented strategy of the County has been to maintain a modest general obligation bonded debt level. This has been achieved by means of a pay-as-you-go basis for relatively small capital projects, by encouraging competition among bond underwriters to fulfill the County's financing needs, maximizing flexibility and cost (interest) effectiveness of one-year notes when feasible, and keeping debt service periods (years) to a minimum.

Moody's Investors Services had assigned an "Aa3" bond rating for Year 2006 for the County and Fitch's had assigned an "AA" rating to the County for Year 2006 bonding needs. These high ratings afford the County flexibility in borrowing when necessary to receive extremely attractive rates due to the financial community's belief that the County's financial operations will remain satisfactory due to management's conservative approach to its annual budgeting process.

Year 2006 ended with Lorain County General Obligation (G.O.) Bond Indebtedness being \$29,840,000. Excluding the County's April 2002 20-year G.O. Bond current \$17,255,000 debt balance for a new \$45,000,000 Justice Center, total G.O. Bond Indebtedness was \$12,585,000 at year-end 2006 as compared with year-end 2005 of \$8,900,000 an increase of \$3,685,000. This increase is attributed to issuing a new G.O. Bond for the Energy Conservation Project. Which, after ten years, the cost savings will cover the debt. \$1,955,000 in the debt service is attributed to capital funding needs of the County Engineer's Office, with yearly debt service amounts also fully reimbursed to the County which is secured by the Motor Vehicle Gas Tax Revenues of that office. Lorain County's outstanding G.O. Notes obligation currently is \$7,480,000 of which \$1,260,000 will become due on August 2007; \$3,850,000 will become due November 2007 and \$2,370,000 will become due June 2007.

General Obligation Bonds	
Human Service Building & Juvenile Facilities	\$ 4,785,000
Engineer's Office	1,955,000
Board of Elections	1,625,000
Energy Conservation	4,220,000
	<u>12,585,000</u>
Justice Center	17,255,000
Total	<u>\$29,840,000</u>

In addition to general obligation bonds and notes to meet its borrowing needs the County utilizes OWDA loans and Special Assessment bonds and notes to finance Sanitary Sewer and Waterline Projects. Current debt levels are modest and are reimbursable by way of sewer assessments and tap-in fees. Future activity to construct sewer and water lines is expected to increase as the result of new home development and light commercial/retail expansion in the County.

Additional information concerning the County's debt can be found in Note 16 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 5.5%, which is a decrease from the rate of 5.8% a year ago. The state average unemployment rate was 5.9% and the national average was 5.1%.
- Inflationary trends in the region compare favorably; unfavorably to national indices.

During the current fiscal year, unreserved fund balances in the general fund decreased from \$22,041,962 to \$20,363,189. The County has prepared a budget for 2007 without appropriating any of the unreserved balance. The County prepared a revenue-balanced budget for the General Fund without an increase in taxes or increase in fees or charges for services.

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2006

Request for Information

This financial report is designed to provide a general overview of Lorain County's finances for all those with an interest in the governments' finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

J. Craig Snodgrass, CPA CGFM
Chief Deputy Auditor
Lorain County Administration Building
Elyria, Ohio 44035

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Lorain County, Ohio
Statement of Net Assets
December 31, 2006

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and Cash Equivalents	\$ 122,986,324	\$ 849,011	\$ 123,835,335	\$ 438,337
Cash with Fiscal and Escrow	256,792	-	256,792	-
Cash in Segregated Accounts	303,491	-	303,491	-
Investments	-	-	-	859,855
Receivables, Net of Allowances	95,315,369	632,781	95,948,150	227,579
Internal Balances	441,489	(441,489)	-	-
Due from Component Units	83,247	-	83,247	-
Inventory	1,178,074	245	1,178,319	-
Prepaid Expenses	-	-	-	21,750
Deposits	-	-	-	1,000
Non-Current Assets:				
Bond Fund Program Reserves	-	-	-	2,509,888
Capital Assets not being Depreciated	12,111,712	5,050,192	17,161,904	14,957
Capital Assets, net of Depreciation	129,365,488	20,770,864	150,136,352	160,225
Total Assets	<u>362,041,986</u>	<u>26,861,604</u>	<u>388,903,590</u>	<u>4,233,591</u>
Liabilities:				
Accounts Payable	13,538,000	1,023,868	14,561,868	72,757
Claims Payable	2,385,620	-	2,385,620	-
Intergovernmental Payable	2,398,639	15,080	2,413,719	126,866
Deferred Revenue	-	-	-	43,326
Note Payable	7,480,000	-	7,480,000	-
Noncurrent Liabilities:				
Due within One Year	6,188,976	168,148	6,357,124	-
Due in more than One Year	41,144,127	1,031,394	42,175,521	101,499
Total Liabilities	<u>73,135,362</u>	<u>2,238,490</u>	<u>75,373,852</u>	<u>344,448</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	107,329,005	24,734,120	132,063,125	14,957
Restricted:				
Highways & Streets	2,324,739	-	2,324,739	-
Justice Center	5,785,246	-	5,785,246	-
Sewer Projects	4,760,829	-	4,760,829	-
Bond Fund Program Reserves	-	-	-	2,509,888
Capital Improvements	361,381	-	361,381	-
Unrestricted	168,345,424	(111,006)	168,234,418	1,364,298
Total Net Assets	<u>\$ 288,906,624</u>	<u>\$ 24,623,114</u>	<u>\$ 313,529,738</u>	<u>\$ 3,889,143</u>

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Activities
For the Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u> <u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities				
General Government -				
Legislative and Executive	\$ 34,836,782	\$ 22,832,857	\$ 360,192	\$ 3,401,796
Judicial	19,090,889	2,515,277	1,415,841	-
Public Safety	24,600,215	3,319,117	2,284,867	-
Public Works	14,665,502	1,047,803	7,348,411	823,251
Health	45,274,813	7,558,645	23,522,843	-
Human Services	86,585,102	3,752,850	54,760,462	-
Economic Development and Assistance	840,819	-	342,975	-
Interest on Long-Term Debt	1,844,700	-	-	-
Total Government Activities	<u>227,738,822</u>	<u>41,026,549</u>	<u>90,035,591</u>	<u>4,225,047</u>
Business-Type Activities:				
Sewer	1,186,848	1,238,699	-	-
County Transit	4,643,475	781,146	4,190,206	-
Total Business-Type Activities	<u>5,830,323</u>	<u>2,019,845</u>	<u>4,190,206</u>	<u>-</u>
Total Primary Government	<u>233,569,145</u>	<u>43,046,394</u>	<u>94,225,797</u>	<u>4,225,047</u>
 Component Units:				
Lorain County Regional Airport Authority	760,255	117,261	185,167	49,165
Lorain County Port Authority	214,496	88,115	-	-
Murray Ridge Production Center, Inc.	1,785,715	1,748,537	31,126	-
Total Component Units	<u>\$ 2,760,466</u>	<u>\$ 1,953,913</u>	<u>\$ 216,293</u>	<u>\$ 49,165</u>

General Revenues:
Taxes
 Property and Other Taxes
 Sales
Intergovernmental Revenue
 not Restricted to Specific Programs
Investment Income
Other Income
Special Item - Capital Contribution (Distribution)
 Total General Revenues and Special Item
Changes in Net Assets
Net Assets - Beginning
Net Assets - Ending

The Notes to the Financial Statements are an integral part of this statement.

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (8,241,937)	\$ -	\$ (8,241,937)	\$ -
(15,159,771)	-	(15,159,771)	-
(18,996,231)	-	(18,996,231)	-
(5,446,037)	-	(5,446,037)	-
(14,193,325)	-	(14,193,325)	-
(28,071,790)	-	(28,071,790)	-
(497,844)	-	(497,844)	-
(1,844,700)	-	(1,844,700)	-
<u>(92,451,635)</u>	<u>-</u>	<u>(92,451,635)</u>	<u>-</u>
-	51,851	51,851	-
-	<u>327,877</u>	<u>327,877</u>	-
-	<u>379,728</u>	<u>379,728</u>	-
<u>(92,451,635)</u>	<u>379,728</u>	<u>(92,071,907)</u>	<u>-</u>
-	-	-	(408,662)
-	-	-	(126,381)
-	-	-	<u>(6,052)</u>
-	-	-	<u>(541,095)</u>
57,044,702	-	57,044,702	-
23,025,723	-	23,025,723	-
8,455,970	-	8,455,970	-
7,813,776	-	7,813,776	152,540
1,476,390	14,957	1,491,347	17,405
-	<u>13,661,950</u>	<u>13,661,950</u>	<u>(11,711,136)</u>
<u>97,816,561</u>	<u>13,676,907</u>	<u>111,493,468</u>	<u>(11,541,191)</u>
5,364,926	14,056,635	19,421,561	(12,082,286)
283,541,698	10,566,479	294,108,177	15,971,429
<u>\$ 288,906,624</u>	<u>\$ 24,623,114</u>	<u>\$ 313,529,738</u>	<u>\$ 3,889,143</u>

Lorain County, Ohio
Balance Sheet
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Job & Family Services</u>	<u>Children Services</u>	<u>Community Mental Health</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 17,761,966	\$ 3,822,349	\$ 7,481,325	\$ 11,984,400
Cash with Fiscal Agent	-	-	-	-
Cash in Segregated Accounts	-	-	-	-
Receivables, Net of Allowances	15,498,386	6,368,976	14,434,050	11,459,895
Notes Receivable	-	-	-	-
Due from Other Funds	2,730,491	565,355	5,792	15,000
Due from Component Units	83,247	-	-	-
Advances to Other Funds	13,324,174	-	-	-
Materials and Supplies Inventory	194,597	16,929	3,820	3,526
Total Assets	<u>\$ 49,592,861</u>	<u>\$ 10,773,609</u>	<u>\$ 21,924,987</u>	<u>\$ 23,462,821</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 3,198,190	\$ 983,910	\$ 971,272	\$ 446,690
Contracts Payable	94,149	781,620	4,305	15,002
Retainage Payable	2,557	-	-	-
Intergovernmental Payable	860,202	273,974	181,526	17,005
Deferred Revenue	10,313,614	3,711,701	12,577,797	10,332,808
Due to Other Funds	21,509	380,132	39,306	5,792
Advance from Other Funds	-	-	-	-
Notes Payable	-	-	-	-
Total Liabilities	<u>14,490,221</u>	<u>6,131,337</u>	<u>13,774,206</u>	<u>10,817,297</u>
Fund Balances:				
Reserved for:				
Encumbrances	1,220,680	998,330	129,874	85,052
Inventory	194,597	16,929	3,820	3,526
Advances	13,324,174	-	-	-
Notes Receivable	-	-	-	-
Debt Service	-	-	-	-
Unreserved (Deficit), reported in:				
General Fund	20,363,189	-	-	-
Special Revenue Funds	-	3,627,013	8,017,087	12,556,946
Debt Service	-	-	-	-
Capital Projects Funds	-	-	-	-
Total Fund Balances	<u>35,102,640</u>	<u>4,642,272</u>	<u>8,150,781</u>	<u>12,645,524</u>
Total Liabilities and Fund Balances	<u>\$ 49,592,861</u>	<u>\$ 10,773,609</u>	<u>\$ 21,924,987</u>	<u>\$ 23,462,821</u>

The Notes to the Financial Statements are an integral part of this statement

<u>MRDD</u>	<u>Q Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 17,245,868	\$ 13,385,847	\$ 38,811,511	\$ 110,493,266
-	-	256,792	256,792
-	-	303,491	303,491
20,308,857	2,590,428	23,864,303	94,524,895
-	-	744,418	744,418
4,925	-	228,652	3,550,215
-	-	-	83,247
-	-	-	13,324,174
169,825	-	789,377	1,178,074
<u>\$ 37,729,475</u>	<u>\$ 15,976,275</u>	<u>\$ 64,998,544</u>	<u>\$ 224,458,572</u>
\$ 2,134,335	\$ 8,495	\$ 2,838,754	\$ 10,581,646
-	368,993	653,608	1,917,677
-	-	8,279	10,836
298,500	45,246	722,186	2,398,639
18,557,131	1,946,967	16,010,906	73,450,924
5,740	1,320,729	1,963,922	3,737,130
-	11,964,728	899,197	12,863,925
-	7,480,000	-	7,480,000
<u>20,995,706</u>	<u>23,135,158</u>	<u>23,096,852</u>	<u>112,440,777</u>
175,224	6,620,029	4,188,320	13,417,509
169,825	-	789,377	1,178,074
-	-	-	13,324,174
-	-	744,418	744,418
-	-	3,820,357	3,820,357
-	-	-	20,363,189
16,388,720	-	35,219,789	75,809,555
-	-	(3,705,173)	(3,705,173)
-	(13,778,912)	844,604	(12,934,308)
<u>16,733,769</u>	<u>(7,158,883)</u>	<u>41,901,692</u>	<u>112,017,795</u>
<u>\$ 37,729,475</u>	<u>\$ 15,976,275</u>	<u>\$ 64,998,544</u>	<u>\$ 224,458,572</u>

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Lorain County, Ohio
Reconciliation of Total Governmental Funds Balances
to Net Assets of Governmental Activities
December 31, 2006

Total governmental funds balances	\$	112,017,795
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds.		141,477,200
Long term liabilities, including sick leave, vacation, personal time, and compensated absences are not due in the current period and therefore are not reported in the funds.		(13,184,908)
Deferrals from prior period already recorded in the net assets are now due and recorded in the fund balances		73,450,923
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(34,148,195)
Internal service funds are used by management to charge the cost of insurance and other services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		9,293,809
Net assets of governmental activities	\$	288,906,624

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Job & Family Services	Children Services	Community Mental Health
REVENUES				
Taxes:				
Property	\$ 8,820,076	\$ -	\$ 9,595,925	\$ 11,519,306
Sales	15,353,843	-	-	-
Charges for Services	2,125,284	-	-	-
Licenses, Permits and Fees	10,465,206	-	-	-
Fines and Forfeitures	1,610,791	-	-	-
Special Assessments	-	-	-	-
Intergovernmental Revenue	10,254,131	30,694,374	10,020,316	14,160,274
Interest Income	7,721,268	-	-	-
Miscellaneous Revenue	1,918,104	-	101,454	17,664
Total Revenues	<u>58,268,703</u>	<u>30,694,374</u>	<u>19,717,695</u>	<u>25,697,244</u>
EXPENDITURES				
Current:				
General Government				
Legislative and Executive	28,350,237	-	-	-
Judicial	15,353,626	-	-	-
Public Safety	6,979,943	-	-	-
Public Works	284,960	-	-	-
Health	3,534	-	-	25,070,163
Human Services	2,550,410	28,243,148	18,880,321	-
Economic Development and Assistance	-	-	-	-
Intergovernmental	545,241	-	-	-
Debt Service:				
Principal Paid	-	-	-	-
Interest Paid	-	-	-	-
Capital Outlay	3,053,799	-	-	-
Total Expenditures	<u>57,121,750</u>	<u>28,243,148</u>	<u>18,880,321</u>	<u>25,070,163</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,146,953</u>	<u>2,451,226</u>	<u>837,374</u>	<u>627,081</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(3,712,383)	-	-	-
Issuance of Debt	-	-	-	-
Premium on Issuance of Debt	-	-	-	-
Accrued Interest on Bonds	-	-	-	-
Total Other Financing Sources (Uses)	<u>(3,712,383)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,565,430)	2,451,226	837,374	627,081
Fund Balances at Beginning of Year	37,680,396	2,196,068	7,312,485	12,018,443
Increase (Decrease) in Reserve for Inventory	<u>(12,326)</u>	<u>(5,022)</u>	<u>922</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 35,102,640</u>	<u>\$ 4,642,272</u>	<u>\$ 8,150,781</u>	<u>\$ 12,645,524</u>

The Notes to the Financial Statements are an integral part of this statement

<u>MRDD</u>	<u>Q Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 19,552,168	\$ -	\$ 5,513,739	\$ 55,001,214
-	-	7,671,880	23,025,723
1,916,872	-	10,356,261	14,398,417
127,466	-	5,146,306	15,738,978
-	-	1,367,962	2,978,753
-	-	362,600	362,600
9,235,649	2,302,198	32,316,393	108,983,335
-	-	90,164	7,811,432
20,864	121,289	1,196,620	3,375,995
<u>30,853,019</u>	<u>2,423,487</u>	<u>64,021,925</u>	<u>231,676,447</u>
-	-	5,555,176	33,905,413
-	-	422,560	15,776,186
-	-	17,242,395	24,222,338
-	-	8,701,226	8,986,186
31,273	-	19,558,688	44,663,658
25,891,397	-	12,474,206	88,039,482
-	-	901,695	901,695
-	-	-	545,241
-	-	1,565,698	1,565,698
-	-	1,844,700	1,844,700
-	7,352,049	78,132	10,483,980
<u>25,922,670</u>	<u>7,352,049</u>	<u>68,344,476</u>	<u>230,934,577</u>
<u>4,930,349</u>	<u>(4,928,562)</u>	<u>(4,322,551)</u>	<u>741,870</u>
-	-	8,237,383	8,237,383
(4,525,000)	-	-	(8,237,383)
-	3,870,000	350,000	4,220,000
-	-	114,518	114,518
-	-	2,344	2,344
<u>(4,525,000)</u>	<u>3,870,000</u>	<u>8,704,245</u>	<u>4,336,862</u>
405,349	(1,058,562)	4,381,694	5,078,732
16,311,968	(6,100,321)	37,406,716	106,825,755
<u>16,452</u>	<u>-</u>	<u>113,282</u>	<u>113,308</u>
<u>\$ 16,733,769</u>	<u>\$ (7,158,883)</u>	<u>\$ 41,901,692</u>	<u>\$ 112,017,795</u>

Lorain County, Ohio
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance - total government funds	\$ 5,078,732
Deferrals from prior period already recorded in the net assets are now due and recorded in revenue.	73,450,924
Deferrals recorded in the governmental funds for the year have previously been reported in net assets and must be removed.	(76,733,863)
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 and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current period.	6,620,120
Expenses for accrued items, including sick leave, vacation, personal time, and compensated absences are not due in the current period and therefore are not reported in the funds.	(13,184,908)
Expenses for prior period items, including sick leave, vacation, personal time, and compensated absences are now due in the current period and therefore are recorded in the fund balances and not in the Statement of Activities.	11,968,386
Expenses incurred as a result of asset disposition in the current period	(698,572)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,654,302)
Expenses related to changes in inventory not included with governmental activities	113,308
Net revenue of certain activities of internal service funds is reported with governmental activities	<u>1,405,101</u>
Change in net assets of governmental activities	<u><u>\$ 5,364,926</u></u>

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Encumbrances	Actual Plus Encumbrances	Variance with Final Budget Positive (Negative)
Revenues						
Property and Other Taxes	\$ 8,133,594	\$ 8,632,701	\$ 8,632,701	\$ -	\$ 8,632,701	\$ -
Sales Tax	14,200,000	15,218,138	15,218,138	-	15,218,138	-
Charges for Services	1,853,261	2,159,326	2,159,326	-	2,159,326	-
Licenses, Permits and Fees	10,797,702	10,414,570	10,490,612	-	10,490,612	76,042
Fines and Forfeitures	1,756,055	1,605,107	1,616,915	-	1,616,915	11,808
Intergovernmental	10,331,725	10,893,509	10,921,458	-	10,921,458	27,949
Interest	3,058,675	6,625,537	6,625,557	-	6,625,557	20
Other	1,983,992	1,574,892	1,580,219	-	1,580,219	5,327
Total Revenues	52,115,004	57,123,780	57,244,926	-	57,244,926	121,146
Expenditures						
Current:						
General Government:						
Legislative and Executive	31,991,181	32,656,531	28,894,726	758,057	29,652,783	3,003,748
Judicial	14,461,332	15,435,170	14,975,365	53,683	15,029,048	406,122
Public Safety	7,071,793	7,323,848	6,982,953	236,278	7,219,231	104,617
Public Works	289,625	287,949	285,864	261	286,125	1,824
Health	4,971	4,971	3,534	-	3,534	1,437
Human Services	2,750,399	2,791,153	2,533,406	16,560	2,549,966	241,187
Capital Outlay	2,372,070	3,785,132	3,067,392	589,791	3,657,183	127,949
Intergovernmental	488,273	484,873	465,232	752	465,984	18,889
Total Expenditures	59,429,644	62,769,627	57,208,472	1,655,382	58,863,854	3,905,773
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,314,640)	(5,645,847)	36,454	(1,655,382)	(1,618,928)	4,026,919
Other Financing Sources (Uses)						
Advances - In	2,009,559	2,951,169	2,951,169	-	2,951,169	-
Advances - Out	-	(2,993,524)	(2,993,524)	-	(2,993,524)	-
Operating Transfers - In	-	79,161	79,161	-	79,161	-
Operating Transfers - Out	(13,576,500)	(11,987,500)	(3,712,383)	-	(3,712,383)	8,275,117
Total Other Financing (Uses)	(11,566,941)	(11,950,694)	(3,675,577)	-	(3,675,577)	8,275,117
(Deficiency) of Revenues and Other Financing Uses (Under) Expenditures and Other Financing Uses	(18,881,581)	(17,596,541)	(3,639,123)	\$ (1,655,382)	\$ (5,294,505)	\$ 12,302,036
Fund Balance at Beginning of Year	20,409,986	20,409,986	20,409,986			
Fund Balance at End of Year	\$ 1,528,405	\$ 2,813,445	\$ 16,770,863			

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
Job & Family Services
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance with Final Budget Positive</u>
Revenues						
Intergovernmental	\$ 25,036,992	\$ 31,066,213	\$ 31,066,213	\$ -	\$ 31,066,213	\$ -
Total Revenues	25,036,992	31,066,213	31,066,213	-	31,066,213	-
Expenditures						
Current:						
Human Services:						
Salaries and Wages	7,588,879	7,588,879	7,585,393	-	7,585,393	3,486
Fringe Benefits	3,367,724	4,119,700	3,851,230	-	3,851,230	268,470
Supplies and Materials	405,444	340,481	326,591	8,916	335,507	4,974
Equipment	218,195	224,085	180,235	34,336	214,571	9,514
Contractual Services	12,342,045	18,766,259	17,120,377	1,253,040	18,373,417	392,842
Fees	400,000	400,000	370,547	1,056	371,603	28,397
Other	161,391	166,000	103,974	-	103,974	62,026
Total Expenditures	24,483,678	31,605,404	29,538,347	1,297,348	30,835,695	769,709
Excess (Deficiency) of Revenues Over (Under) Expenditures	553,314	(539,191)	1,527,866	\$ (1,297,348)	\$ 230,518	\$ 769,709
Fund Balance at Beginning of Year	2,294,483	2,294,483	2,294,483			
Fund Balance at End of Year	\$ 2,847,797	\$ 1,755,292	\$ 3,822,349			

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
Children Services
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues						
Property and Other Taxes	\$ 9,265,962	\$ 9,448,725	\$ 9,448,725	\$ -	\$ 9,448,725	\$ -
Intergovernmental	7,845,999	9,030,299	9,090,361	-	9,090,361	60,062
Other	100,000	158,075	98,013	-	98,013	(60,062)
Total Revenues	<u>17,211,961</u>	<u>18,637,099</u>	<u>18,637,099</u>	<u>-</u>	<u>18,637,099</u>	<u>-</u>
Expenditures						
Current:						
Human Services:						
Salaries and Wages	7,038,067	7,658,067	7,637,803	-	7,637,803	20,264
Fringe Benefits	2,370,803	2,590,803	2,567,531	-	2,567,531	23,272
Supplies and Materials	149,065	177,360	136,814	3,810	140,624	36,736
Equipment	200,000	600,000	356,849	73,153	430,002	169,998
Contractual Services	6,074,360	5,427,500	5,222,983	21,726	5,244,709	182,791
Capital Outlay	-	1,126,860	987,185	139,675	1,126,860	-
Other	733,716	1,049,214	894,455	39,692	934,147	115,067
Total Expenditures	<u>16,566,011</u>	<u>18,629,804</u>	<u>17,803,620</u>	<u>278,056</u>	<u>18,081,676</u>	<u>548,128</u>
Excess of Revenues Over Expenditures	645,950	7,295	833,479	<u>\$ (278,056)</u>	<u>\$ 555,423</u>	<u>\$ 548,128</u>
Fund Balance at Beginning of Year	<u>6,125,612</u>	<u>6,125,612</u>	<u>6,125,612</u>			
Fund Balance at End of Year	<u>\$ 6,771,562</u>	<u>\$ 6,132,907</u>	<u>\$ 6,959,091</u>			

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
Community Mental Health
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues						
Property and Other Taxes	\$ 10,936,090	\$ 11,346,780	\$ 11,346,780	\$ -	\$ 11,346,780	\$ -
Intergovernmental	19,017,000	14,767,261	14,767,261	-	14,767,261	-
Other	-	20,503	20,503	-	20,503	-
Total Revenues	<u>29,953,090</u>	<u>26,134,544</u>	<u>26,134,544</u>	<u>-</u>	<u>26,134,544</u>	<u>-</u>
Expenditures						
Current:						
Health:						
Salaries and Wages	740,000	781,273	737,905	-	737,905	43,368
Fringe Benefits	263,300	272,351	236,318	-	236,318	36,033
Supplies and Materials	91,000	120,530	70,374	-	70,374	50,156
Equipment	42,000	63,000	46,267	600	46,867	16,133
Contractual Services	25,594,000	28,171,015	23,404,669	49,339	23,454,008	4,717,007
Capital Outlay	100,866	399,635	324,621	61,000	385,621	14,014
Other	348,500	506,268	371,391	-	371,391	134,877
Total Expenditures	<u>27,179,666</u>	<u>30,314,072</u>	<u>25,191,545</u>	<u>110,939</u>	<u>25,302,484</u>	<u>5,011,588</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,773,424	(4,179,528)	942,999	<u>\$ (110,939)</u>	<u>\$ 832,060</u>	<u>\$ 5,011,588</u>
Fund Balance at Beginning of Year	<u>10,483,638</u>	<u>10,483,638</u>	<u>10,483,638</u>			
Fund Balance at End of Year	<u>\$ 13,257,062</u>	<u>\$ 6,304,110</u>	<u>\$ 11,426,637</u>			

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
MRDD
For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues						
Property and Other Taxes	\$ 18,743,393	\$ 19,267,366	\$ 19,267,366	\$ -	\$ 19,267,366	\$ -
Charges for Services	83,000	1,916,872	1,916,872	-	1,916,872	-
Intergovernmental	7,473,063	10,066,092	10,066,092	-	10,066,092	-
Other	3,500	25,919	25,919	-	25,919	-
Total Revenues	<u>26,302,956</u>	<u>31,276,249</u>	<u>31,276,249</u>	<u>-</u>	<u>31,276,249</u>	<u>-</u>
Expenditures						
Current:						
Human Services:						
Salaries and Wages	13,080,000	13,140,000	13,017,808	-	13,017,808	122,192
Fringe Benefits	6,041,000	6,134,000	6,042,386	-	6,042,386	91,614
Supplies and Materials	473,951	527,166	448,738	18,354	467,092	60,074
Equipment	306,568	501,334	345,064	12,688	357,752	143,582
Contractual Services	5,908,192	6,194,710	4,029,650	970,365	5,000,015	1,194,695
Capital Outlay	103,500	88,500	42,525	25,913	68,438	20,062
Other	587,529	1,141,810	998,027	10,573	1,008,600	133,210
Total Expenditures	<u>26,500,740</u>	<u>27,727,520</u>	<u>24,924,198</u>	<u>1,037,893</u>	<u>25,962,091</u>	<u>1,765,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(197,784)	3,548,729	6,352,051	(1,037,893)	5,314,158	1,765,429
Other Financing Uses						
Operating Transfers - Out	-	(4,525,000)	(4,525,000)	-	(4,525,000)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(197,784)	(976,271)	1,827,051	<u>\$ (1,037,893)</u>	<u>\$ 789,158</u>	<u>\$ 1,765,429</u>
Fund Balance at Beginning of Year	<u>14,499,642</u>	<u>14,499,642</u>	<u>14,499,642</u>			
Fund Balance at End of Year	<u>\$ 14,301,858</u>	<u>\$ 13,523,371</u>	<u>\$ 16,326,693</u>			

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2006

	Enterprise Fund				Governmental Activity
	Major	NonMajor			Internal Service Fund
	Lorain County Regional Airport	County Transit	Sewer System	Totals	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ 682,140	\$ 166,871	\$ 849,011	\$ 12,493,058
Receivables, Net of Allowance	-	402,800	229,981	632,781	46,057
Due from Other Funds	-	8,790	12,013	20,803	168,154
Inventory	-	-	245	245	-
Total Current Assets	<u>-</u>	<u>1,093,730</u>	<u>409,110</u>	<u>1,502,840</u>	<u>12,707,269</u>
Noncurrent Assets:					
Capital Assets, Net of Depreciation:					
Land	4,479,800	-	51,684	4,531,484	-
Construction In Progress	-	-	518,708	518,708	-
Vehicles	372,340	1,748,333	-	2,120,673	-
Buildings & Improvements	8,780,116	123,767	-	8,903,883	-
Machinery & Equipment	29,694	-	-	29,694	-
Sewer Plant	-	-	42,716	42,716	-
Sewer Lines	-	-	9,124,634	9,124,634	-
Water Lines	-	-	549,264	549,264	-
Total Noncurrent Assets	<u>13,661,950</u>	<u>1,872,100</u>	<u>10,287,006</u>	<u>25,821,056</u>	<u>-</u>
Total Assets	<u>\$ 13,661,950</u>	<u>\$ 2,965,830</u>	<u>\$ 10,696,116</u>	<u>\$ 27,323,896</u>	<u>\$ 12,707,269</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ -	\$ 971,319	\$ 52,549	\$ 1,023,868	\$ 835,089
Sick Leave, Vacation Payable	-	4,905	32,937	37,842	192,751
Claims and Judgments Payable	-	-	-	-	2,385,620
Due to Other Funds	-	-	2,043	2,043	-
Intergovernment Payable	-	3,952	11,128	15,080	-
Advance from Other Funds	-	-	460,249	460,249	-
OWDA Loan - Current	-	-	129,592	129,592	-
Total Current Liabilities	<u>-</u>	<u>980,176</u>	<u>688,498</u>	<u>1,668,674</u>	<u>3,413,460</u>
Noncurrent Liabilities:					
Matured Compensated Absences	-	15,480	59,284	74,764	-
OWDA Loan	-	-	957,344	957,344	-
Total Noncurrent Liabilities	<u>-</u>	<u>15,480</u>	<u>1,016,628</u>	<u>1,032,108</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>995,656</u>	<u>1,705,126</u>	<u>2,700,782</u>	<u>3,413,460</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	13,661,950	1,872,099	9,200,071	24,734,120	-
Unrestricted	-	98,075	(209,081)	(111,006)	9,293,809
Total Net Assets	<u>13,661,950</u>	<u>1,970,174</u>	<u>8,990,990</u>	<u>24,623,114</u>	<u>9,293,809</u>
Total Liabilities and Net Assets	<u>\$ 13,661,950</u>	<u>\$ 2,965,830</u>	<u>\$ 10,696,116</u>	<u>\$ 27,323,896</u>	<u>\$ 12,707,269</u>

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Fund			Governmental Activity	
	Major	NonMajor			
	Lorain County Regional Airport	County Transit	Sewer System	Totals	Internal Service Fund
Operating Revenues:					
Charges for Services	\$ -	\$ 737,754	\$ 1,238,699	\$ 1,976,453	\$ 20,210,927
Licenses, Permits & Fees	-	43,392	1,142	44,534	-
Grants and Contributions	-	4,190,206	-	4,190,206	-
Other	-	1,385	12,430	13,815	144,786
Total Operating Revenues	-	4,972,737	1,252,271	6,225,008	20,355,713
Operating Expenses:					
Contract Services	-	4,069,036	451,485	4,520,521	2,681,207
Personal Services	-	208,122	167,762	375,884	-
Fringe Benefits	-	79,851	149,879	229,730	-
Depreciation	-	144,272	277,889	422,161	-
Claims Expense	-	-	-	-	16,251,987
Supplies and Materials	-	16,347	26,663	43,010	-
Miscellaneous	-	43,495	38,769	82,264	28,302
Total Operating Expenses	-	4,561,123	1,112,447	5,673,570	18,961,496
Operating Income	-	411,614	139,824	551,438	1,394,217
Nonoperating (Expenses):					
Materials and Maintenance	-	(82,352)	(17,054)	(99,406)	-
Interest and Fiscal Charges	-	-	(57,347)	(57,347)	-
Total Non-operating (Expenses)	-	(82,352)	(74,401)	(156,753)	-
Income/(Loss) Before Special Item	-	329,262	65,423	394,685	1,394,217
Special Item - Capital Contribution	13,661,950	-	-	13,661,950	-
Change in Net Assets	13,661,950	329,262	65,423	14,056,635	1,394,217
Net Assets at Beginning of Year	-	1,640,912	8,925,567	10,566,479	7,899,592
Net Assets at End of Year	\$ 13,661,950	\$ 1,970,174	\$ 8,990,990	\$ 24,623,114	\$ 9,293,809

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise Fund				Governmental Activity
	Major	NonMajor			Internal Service Fund
	Lorain County Regional Airport	County Transit	Sewer System	Total	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ -	\$ 822,301	\$ 1,208,509	\$ 2,030,810	\$ 20,739,231
Cash Paid to Suppliers	-	(3,872,242)	(356,433)	(4,228,675)	(2,062,486)
Cash Paid for Claims	-	-	-	-	(15,907,652)
Cash Paid to Employees	-	(249,890)	(528,206)	(778,096)	-
Other Receipts	-	3,970,723	-	3,970,723	125,730
Net Cash Provided (Used) by Operating Activities	-	670,892	323,870	994,762	2,894,823
Cash Flows from Capital and Related Financing Activities:					
Capital Outlay	-	(748,729)	(284,877)	(1,033,606)	-
Principal Payments - OWDA Loans	-	-	(123,481)	(123,481)	-
Interest Paid	-	-	(57,347)	(57,347)	-
Net Cash (Used) by Capital and Related Financing Activities	-	(748,729)	(465,705)	(1,214,434)	-
Net Increase (Decrease) in Cash	-	(77,837)	(141,835)	(219,672)	2,894,823
Cash and Cash Equivalents, January 1, 2006	-	759,977	308,706	1,068,683	9,598,235
Cash and Cash Equivalents, December 31, 2006	<u>\$ -</u>	<u>\$ 682,140</u>	<u>\$ 166,871</u>	<u>\$ 849,011</u>	<u>\$ 12,493,058</u>

(continued)

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended December 31, 2006

Reconciliation of Operating Income (Loss) to Net Cash Provided
by Operating Activities

	<u>Enterprise Fund</u>				<u>Governmental Activity</u>
	<u>Major</u>	<u>NonMajor</u>			<u>Internal Service Fund</u>
	Lorain County Regional Airport	County Transit	Sewer System	Total	
Operating Income	\$ -	\$ 411,614	\$ 139,824	\$ 551,438	\$ 1,394,217
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	-	144,272	277,889	422,161	-
(Increase) Decrease in Operating Assets:					
Accounts Receivable	-	41,270	(8,080)	33,190	(17,289)
Intergovernment Receivable	-	(219,483)	(35,682)	(255,165)	136,452
Due from Other Funds	-	(4,227)	(5,693)	(9,920)	409,389
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	-	296,077	(3,294)	292,783	434,968
Claims Payable	-	-	-	-	344,335
Sick Leave, Vacation Payable	-	1,695	8,428	10,123	192,751
Intergovernment Payable	-	(326)	(521)	(847)	-
Interfund Payable	-	-	(49,001)	(49,001)	-
Total Adjustments	-	<u>259,278</u>	<u>184,046</u>	<u>443,324</u>	<u>1,500,606</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ 670,892</u>	<u>\$ 323,870</u>	<u>\$ 994,762</u>	<u>\$ 2,894,823</u>

The Notes to the Financial Statements are an integral part of this statement

Lorain County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2006

	Agency Funds
Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 23,921,033
Cash and Cash Equivalents in Segregated Accounts	7,104,264
Property and Other Taxes	349,446,574
Special Assessments	22,365,551
Intergovernment Receivable	14,345,099
Total Assets	\$ 417,182,521
 Liabilities:	
Local Government Taxes Payable	\$ 13,559,177
Intergovernmental Payable	352,714,637
Undistributed Monies	50,908,707
Total Liabilities	\$ 417,182,521

The Notes to the Financial Statements are an integral part of this statement.

Lorain County, Ohio
Combining Statement of Net Assets
Discretely Presented Component Units
Lorain County Regional Airport Authority - December 31, 2006
Lorain County Port Authority - December 31, 2006
Murray Ridge Production Center, Inc. - June 30, 2006

	Lorain County Regional Airport Authority	Lorain County Port Authority	Murray Ridge Production Center, Inc.	Total Component Units
Assets:				
Current Assets:				
Cash and Equivalents	\$ 13,794	\$ 22,089	\$ 402,454	\$ 438,337
Investments	-	-	859,855	859,855
Receivables, Net of Allowances	12,688	-	214,891	227,579
Deposits	-	-	1,000	1,000
Prepaid Expenses	21,750	-	-	21,750
Total Current Assets	48,232	22,089	1,478,200	1,548,521
Non-Current Assets				
Restricted Bond Fund Program Reserves	-	2,509,888	-	2,509,888
Total Non-Current Assets	-	2,509,888	-	2,509,888
Capital Assets, Net of Depreciation				
Construction in Progress	14,957	-	-	14,957
Equipment	-	-	160,225	160,225
Total Capital Assets	14,957	-	160,225	175,182
Total Assets	\$ 63,189	\$ 2,531,977	\$ 1,638,425	\$ 4,233,591
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 17,495	\$ 1,737	\$ 53,525	\$ 72,757
Intergovernmental Payable	-	126,866	-	126,866
Deferred Revenue	24,000	-	19,326	43,326
Total Current Liabilities	41,495	128,603	72,851	242,949
Non-Current Liabilities				
Due in More than One Year	101,499	-	-	101,499
Total Non-Current Liabilities	101,499	-	-	101,499
Total Liabilities	142,994	128,603	72,851	344,448
Net Assets:				
Invested in Capital Assets	14,957	-	-	14,957
Restricted	-	2,509,888	-	2,509,888
Unrestricted	(94,762)	(106,514)	1,565,574	1,364,298
Total Net Assets	\$ (79,805)	\$ 2,403,374	\$ 1,565,574	\$ 3,889,143

The Notes to the Financial Statements are an integral part of this statement.

Lorain County, Ohio
Statement of Activities
Discretely Presented Component Units
Lorain County Regional Airport Authority - For the Year Ended December 31, 2006
Lorain County Port Authority - For the Year Ended December 31, 2006
Murray Ridge Production Center, Inc. - For the Year Ended June 30, 2006

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Grants and Contributions
Lorain County Regional Airport Authority			
Airport Operations	\$ 760,255	\$ 117,261	\$ 234,332
Lorain County Port Authority			
Economic Development	214,496	88,115	-
Murray Ridge Production Center, Inc.			
Production	1,785,715	1,748,537	31,126
Total Component Units	\$ 2,760,466	\$ 1,953,913	\$ 265,458

General Revenues:
Investment Income
Other Revenue
Capital Distribution
Total General Revenue
Changes in Net Assets
Net Assets - Beginning
Net Assets - Ending

The Notes to the Financial Statements are an integral part of this statement.

**Net (Expense) Revenue and
Changes on Net Assets**

Lorain County Regional Airport Authority	Lorain County Port Authority	Murray Ridge Production Center, Inc.	Total Component Units
\$ (408,662)	\$ -	\$ -	\$ (408,662)
-	(126,381)	-	(126,381)
-	-	(6,052)	(6,052)
<u>\$ (408,662)</u>	<u>\$ (126,381)</u>	<u>\$ (6,052)</u>	<u>\$ (541,095)</u>
2,293	114,416	35,831	152,540
17,405	-	-	17,405
(11,711,136)	-	-	(11,711,136)
<u>(11,691,438)</u>	<u>114,416</u>	<u>35,831</u>	<u>(11,541,191)</u>
(12,100,100)	(11,965)	29,779	(12,082,286)
12,020,295	2,415,339	1,535,795	15,971,429
<u>\$ (79,805)</u>	<u>\$ 2,403,374</u>	<u>\$ 1,565,574</u>	<u>\$ 3,889,143</u>