



Financial Section

Financial Section

INDEPENDENT AUDITOR'S REPORT

The Honorable County Auditor, County Treasurer and
the Board of County Commissioners
Lorain County
226 Middle Avenue
Elyria, Ohio 44035

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, 2008, 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 \$1,488,201 as of June 30, 2008, and total revenues of \$1,723,565 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Murray Ridge Production Center, Inc. a discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

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, 2008, and the respective changes in financial position and, cash flows, where applicable 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 June 26, 2009 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 important for 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 in the audit of the basic financial statements and, in our opinion, are 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

June 26, 2009

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2008

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, 2008. 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 2008 are:

- The General Fund balance decreased \$7,468,225 or 21.8%

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, County Transit and the Lorain County Regional Airport Authority as well as all capital expenses associated with the facilities.

Component Units – The County includes financial data of 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, Lorain County Regional Airport and Sewer System.

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 37-69 of this report.

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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 72-196 of this report.

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 \$253.6 million (\$231.1 million in governmental activities and \$22.5 million in business-type activities) as of December 31, 2008. The largest portion of the County's net assets (45.3%) is in unrestricted net assets and (52.2%) 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current and Other Assets	\$211.1	\$225.3	\$.7	\$ 1.3	\$211.8	\$226.6
Capital Assets, net	<u>140.0</u>	<u>139.6</u>	<u>29.0</u>	<u>29.4</u>	<u>169.0</u>	<u>169.0</u>
Total Assets	<u>\$351.1</u>	<u>\$364.9</u>	<u>\$29.7</u>	<u>\$30.7</u>	<u>\$380.8</u>	<u>\$395.6</u>
Liabilities						
Current and Other Liabilities	\$18.9	\$ 22.5	\$.7	\$.8	\$ 19.6	\$23.3
Deferred Revenue	50.0	50.0	-	-	50.0	50.0
Note Payable	3.5	3.4	5.4	5.4	8.9	8.8
Long-Term Liabilities due within one year	7.2	6.6	.2	.2	7.4	6.8
Long-Term Liabilities due in more than one year	<u>40.4</u>	<u>40.3</u>	<u>.9</u>	<u>.9</u>	<u>41.3</u>	<u>41.2</u>
Total Liabilities	<u>\$120.0</u>	<u>\$122.8</u>	<u>\$7.2</u>	<u>\$7.3</u>	<u>\$127.2</u>	<u>\$130.1</u>
Net Assets						
Invested in Capital Assets Net of Debt	\$109.8	\$107.1	\$22.7	\$23.1	\$132.5	\$130.2
Restricted:						
Highways and Streets	2.1	3.1	-	-	2.1	3.1
Justice Center	1.6	5.8	-	-	1.6	5.8
Sewer Projects	.9	1.0	-	-	.9	1.0
Capital Improvements	1.7	1.3	-	-	1.7	1.3
Unrestricted	<u>115.0</u>	<u>123.8</u>	<u>(.2)</u>	<u>.3</u>	<u>114.8</u>	<u>124.1</u>
Total Net Assets	<u>\$231.1</u>	<u>\$242.1</u>	<u>\$22.5</u>	<u>\$23.4</u>	<u>\$253.6</u>	<u>\$265.5</u>

At December 31, 2008, Unrestricted assets (\$115.0 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, 2008 and 2007.

TABLE 2
CHANGES IN NET ASSETS
(In Millions)

	Governmental Activities		Business Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program Revenues:						
Charge for Services	\$38.7	\$ 41.1	\$2.1	\$1.5	\$ 40.8	\$ 42.6
Operating Grants and Contributions	100.7	103.1	2.6	3.8	103.3	106.9
Capital Grants and Contributions	1.1	1.9	-	-	1.1	1.9
General Revenues:						
Taxes	68.1	80.0	-	-	68.1	80.0
Investment Income	5.9	9.1	-	-	5.9	9.1
Intergovernmental Revenue not Restricted to Specific Programs	11.5	5.6	-	-	11.5	5.6
Other	<u>1.7</u>	<u>.6</u>	<u>-</u>	<u>-</u>	<u>1.7</u>	<u>.6</u>
Total Revenues	<u>\$227.7</u>	<u>\$241.4</u>	<u>\$4.7</u>	<u>\$5.3</u>	<u>\$232.4</u>	<u>\$246.7</u>
Program Expenses						
General Government:						
Legislative and Executive	\$ 34.4	\$ 32.6	\$ -	\$ -	\$ 34.4	\$ 32.6
Judicial System	20.7	19.1	-	-	20.7	19.1
Public Safety	26.8	25.6	-	-	26.8	25.6
Public Works	13.4	14.0	-	-	13.4	14.0
Health	50.0	50.4	-	-	50.0	50.4
Human Services	90.4	92.7	-	-	90.4	92.7
Economic Development and Assist.	.6	.7	-	-	.6	.7
Interest and Fiscal Charges	2.0	2.2	-	-	2.0	2.2
Regional Airport	-	-	.7	.8	.7	.8
Sewer System	-	-	1.6	1.3	1.6	1.3
County Transit	<u>-</u>	<u>-</u>	<u>4.6</u>	<u>3.8</u>	<u>4.6</u>	<u>3.8</u>
Total Program Expenses	<u>\$238.3</u>	<u>\$237.3</u>	<u>\$6.9</u>	<u>\$5.9</u>	<u>\$245.2</u>	<u>\$243.2</u>
Increase(Decrease) in Net Assets						
Before Transfers and Contributions	(10.6)	4.1	(2.2)	(.6)	(12.8)	3.5
Transfers and Contributions	<u>(.7)</u>	<u>-</u>	<u>1.1</u>	<u>-</u>	<u>.4</u>	<u>-</u>
Change in Net Assets	(11.3)	4.1	(1.1)	(.6)	(12.4)	3.5
Net Assets – Beginning	<u>242.4</u>	<u>238.3</u>	<u>23.6</u>	<u>24.2</u>	<u>266.0</u>	<u>262.5</u>
Net Assets – Ending	<u>\$231.1</u>	<u>\$242.4</u>	<u>\$22.5</u>	<u>\$23.6</u>	<u>\$253.6</u>	<u>\$266.0</u>

The overall Financial Position of the County has deteriorated. Although expenditures were comparable with the previous year, the revenues decreased by almost 6%.

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Governmental Activities

Tax revenue accounts for \$68,135,704 of the \$227,705,036 total revenue for governmental activity, or 29.9% of total revenue. The major recipients of intergovernmental revenue were the General Fund receiving \$5,985,108 and the Job and Family Services, receiving \$1,249,191.

The County's direct charges to users of governmental services made up \$38,737,882 or 17.0% 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 \$90,381,231 of the \$238,218,090 total expenses for governmental activities, or 37.9% of total expenditures. The next largest program is Health, which equals \$49,969,745 or 21.0% of total governmental expenses.

Business-Type Activities

The net assets for the business-type activities for the County decreased by \$1,064,030 during the year 2008. Major revenue sources were Charges for Services of \$2,080,065 and Operating Grants of \$2,639,878.

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 \$99,135,382, a decrease of \$11,450,770 in comparison with the prior year. Approximately 81.7% of this total amount or \$81,180,890 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 \$4,270,199, (2) to pay debt service of \$157,823 or (3) for a variety of other restricted purposes of \$13,526,470.

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 \$14,835,997, while the total fund balance decreased to \$27,256,375. 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 26.9% of total General Fund expenditures, while total fund balance represents 49.6% of that same amount.

The fund balance of the County's General Fund decreased by approximately \$7,449,089 or 21.5%. Fund balance decreased as investment income dropped due to a decline in interest rates. Also, an increase in personnel and benefit costs contributed to the decrease.

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 \$445,800. The increase is due to increase in funding.

The fund balance for Children Services Board decreased by \$1,116,274. The decrease is due to a reduction in revenue and increases in salaries, benefits and contract services.

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The fund balance for the Community Mental Health Board increased approximately \$122,648. The increase is due to decreases in contractual services and an increase in intergovernmental revenue support.

The fund balance for the Board of Mental Retardation and Developmental Disabilities experienced a net decrease of \$3,812,494 due primarily to an increase in expenses and subsidies to related programs.

The Q Construction fund balance decreased by \$1,587,843 due to 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 \$385,490 and the decrease in net assets of the Sewer Fund was \$29,722 for the year. The County Transit Fund unrestricted net assets totaled (\$470,009) at year end and net assets decreased \$854,613 during the year. The County Regional Airport unrestricted net assets totaled (\$78,079) at year end and net assets decreased \$179,695 during the year.

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 (90) 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 2007 and 2008:

	2007	2008	Increase/(Decrease)
Fund Balance at Beginning of Year	\$16,770,863	\$14,889,089	\$(1,881,774)
Revenues	56,218,354	52,817,029	(3,401,325)
Expenditures	52,994,856	55,755,439	2,760,583
Advances/Transfers In/(Out)	(5,105,272)	(1,310,636)	(3,794,636)
Fund Balance at End Of Year	\$14,889,089	\$10,640,043	\$(4,249,046)

The ending year County General Fund balance decreased \$4,249,046 or 28.5% as compared to Year 2007. This decrease is a reflection of the total Fund activity, in terms of revenues, expenditures and transfers/advances. Revenues decreased by \$3,401,325 (6.1%) represented by decreases in property & other taxes, interest, and license/permits/fees collections. Expenditures increased by \$2,760,583 (5.2%) represented by increases in Legislative & Executive, Judicial and Public Safety areas. We would like to take note that county general fund advances and transfers decreased by \$3,794,636 as compared with Year 2007.

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 expenditure budget and actual expenditures were primarily:

- \$3,036,743 in the Legislative/Executive and Judicial areas which were due to monies allocated to cover potential liabilities and various allocations that did not materialize in Year 2008.
- 1,777,197 in Operating Transfers-out which was originally set aside for transfers, advances and any unforeseen liabilities not appropriated within other Expenditure classifications as well as long term capital projects that were under review. These potential liabilities did not materialize in Year 2008.

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 2007 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	2007 Actual Expenditures	% Of Total 2007 Expenses	2008 Actual Expenditures	% Of Total 2008 Expenses	\$ Increase/ (Decrease)	% Increase/ (Decrease)
1.	Legislative/Executive	\$26,676,984	50.3%	\$28,553,944	51.2%	\$1,876,960	7.0%
2.	Judicial	15,533,595	29.3%	16,319,528	29.3%	785,933	5.1%
3.	Public Safety	6,958,588	13.1%	7,934,858	14.2%	976,270	14.0%
4.	Capital Outlay	647,760	1.2%	35,290	0.1%	(612,470)	(94.6%)
5.	Human Services	2,491,660	4.7%	2,129,441	3.8%	(362,219)	(14.5%)
6.	Inter-Governmental	418,205	1.0%	497,000	0.9%	78,795	18.8%
7.	Public Works	264,803	0.4%	282,227	0.5%	17,424	6.6%
8.	Health	3,261	0.0%	3,151	0.0%	(110)	(3.4%)
	Total Expenditures	\$52,994,856	100.0%	\$55,755,439	100.0%	\$2,760,583	5.2%

Legislative/Executive and Judicial components are responsible for approximately four-fifths (80.5%) of all General Fund Expenditures in 2008, a \$2,662,893 (6.3%) increase as compared to Year 2007. These two service components contain the majority of all personnel who receive salaries and benefits from the County General Fund. Employee salary and fringe benefits are responsible for a large portion of the increased expenditures. Future issues that may have an effect on the expenditures side of the County General Fund, as related to employee staffing will be the possible 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

Table 3 below presents the net book value of the county's capital assets for governmental and business-type activities for 2008, compared to 2007.

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Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 5,346,617	\$ 5,359,831	\$ 4,531,484	\$ 4,531,484	\$ 9,878,101	\$ 9,891,315
Construction in Progress	1,620,959	3,801,471	151,136	230,983	1,772,095	4,032,454
Buildings, Structures and Improvements	86,042,571	83,243,272	8,710,985	8,531,065	94,753,556	91,774,337
Vehicles	2,847,289	2,244,258	1,561,453	1,836,101	4,408,742	4,080,359
Machinery and Equipment	2,818,406	3,027,530	38,818	25,452	2,857,224	3,052,982
Furniture and Fixtures	14,901	15,895	-	-	14,901	15,895
Infrastructure	41,319,846	41,892,910	-	-	41,319,846	41,892,910
Sewer Plants	-	-	4,022,749	4,059,734	4,022,749	4,059,734
Sewer Lines	-	-	9,518,347	9,687,796	9,518,347	9,687,796
Water Lines	-	-	497,368	521,637	497,368	521,637
Totals	\$140,010,589	\$139,585,167	\$29,032,340	\$29,424,252	\$169,042,929	\$169,009,419

An ongoing project is the restoration of the historic transportation hub that served the county many years ago with nearly \$100,000 spent in 2008 towards the long term project and an aggregate cost to date of \$1.6 million. The County has also expended an additional \$2.3 million in construction costs to finish the Justice Center which was constructed in 2004.

The County completed major renovations and complete rebuilds of its sanitary sewer lines, waste water plants and stations in 2007. Additional costs were incurred in 2008 to finalize these improvements and capitalized.

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

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 2008 for the County and Fitch's had assigned an "AA" rating to the County for Year 2008 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 2008 ended with Lorain County General Obligation (G.O.) Bond Indebtedness being \$26,435,000. Excluding the County's April 2002 20-year G.O. Bond current \$15,705,000 debt balance for a new \$45,000,000 Justice Center, total G.O. Bond Indebtedness was \$10,730,000 at year-end 2008 as compared with year-end 2007 of \$11,725,000 a decrease of \$995,000. The amount of \$1,785,000 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 \$8,890,000 of which \$5,600,000 will become due in May 2009; \$680,000 will become due March 2009 and \$2,610,000 will become due June 2009.

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2008

General Obligation Bonds	
Human Service Building & Juvenile Facilities	\$ 3,970,000
Engineer's Office	1,785,000
Board of Elections	1,485,000
Energy Conservation	<u>3,490,000</u>
	10,730,000
Justice Center	<u>15,705,000</u>
Total	<u>\$26,435,000</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 7.0%, which is an increase from the rate of 6.2% a year ago. The state average unemployment rate was 7.4% and the national average was 7.2%.
- 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 \$18,383,293 to \$14,835,997. The County has prepared a budget for 2008 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.

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, 2008

	<u>Primary Government</u>		<u>Total</u>	<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
Assets:				
Cash and Cash Equivalents	\$ 103,931,601	\$ 1,327,610	\$ 105,259,211	\$ 223,972
Cash with Fiscal and Escrow	308,759	-	308,759	-
Cash in Segregated Accounts	2,090,670	-	2,090,670	-
Investments	-	-	-	929,935
Receivables, Net of Allowances	101,681,932	854,696	102,536,628	271,105
Internal Balances	1,478,404	(1,478,404)	-	-
Due from Component Units	171,116	-	171,116	-
Inventory	1,444,511	245	1,444,756	-
Deposits	-	-	-	1,000
Non-Current Assets:				
Bond Fund Program Reserves	-	-	-	2,506,300
Capital Assets not being Depreciated	6,967,576	4,682,620	11,650,196	-
Capital Assets, net of Depreciation	133,043,013	24,349,720	157,392,733	1,588,927
Total Assets	<u>351,117,582</u>	<u>29,736,487</u>	<u>380,854,069</u>	<u>5,521,239</u>
Liabilities:				
Accounts Payable	12,347,921	640,462	12,988,383	183,319
Claims Payable	2,571,086	-	2,571,086	-
Intergovernmental Payable	3,938,786	21,580	3,960,366	171,414
Unearned Revenue	49,984,667	77,499	50,062,166	-
Note Payable	3,535,000	5,355,000	8,890,000	-
Noncurrent Liabilities:				
Due within One Year	7,217,201	194,786	7,411,987	-
Due in more than One Year	40,393,860	911,283	41,305,143	-
Total Liabilities	<u>119,988,521</u>	<u>7,200,610</u>	<u>127,189,131</u>	<u>354,733</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	109,793,906	22,698,475	132,492,381	1,500,000
Restricted:				
Highways & Streets	2,062,321	-	2,062,321	-
Justice Center	1,582,190	-	1,582,190	-
Sewer Projects	910,092	-	910,092	-
Bond Fund Program Reserves	-	-	-	3,476,348
Capital Improvements	1,731,584	-	1,731,584	-
Unrestricted	115,048,968	(162,598)	114,886,370	190,158
Total Net Assets	<u>\$ 231,129,061</u>	<u>\$ 22,535,877</u>	<u>\$ 253,664,938</u>	<u>\$ 5,166,506</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, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities				
General Government -				
Legislative and Executive	\$ 34,416,356	\$ 20,626,581	\$ 784,476	\$ 284,540
Judicial	20,697,509	3,564,425	-	-
Public Safety	26,800,174	2,856,328	2,191,905	382,000
Public Works	13,425,334	572,190	7,430,301	408,750
Health	49,969,745	8,789,572	25,841,710	-
Human Services	90,381,231	2,328,786	64,364,398	-
Economic Development and Assistance	532,681	-	-	-
Interest on Long-Term Debt	1,995,060	-	-	-
Total Government Activities	<u>238,218,090</u>	<u>38,737,882</u>	<u>100,612,790</u>	<u>1,075,290</u>
Business-Type Activities:				
Lorain County Regional Airport	659,923	138,664	100,511	-
Sewer	1,591,652	1,245,593	-	-
County Transit	4,599,558	695,808	2,539,367	-
Total Business-Type Activities	<u>6,851,133</u>	<u>2,080,065</u>	<u>2,639,878</u>	<u>-</u>
Total Primary Government	<u>245,069,223</u>	<u>40,817,947</u>	<u>103,252,668</u>	<u>1,075,290</u>
Component Units:				
Lorain County Port Authority	205,390	118,935	25,000	-
Murray Ridge Production Center, Inc.	2,040,721	1,737,185	-	-
Total Component Units	<u>\$ 2,246,111</u>	<u>\$ 1,856,120</u>	<u>\$ 25,000</u>	<u>\$ -</u>

General Revenues:
Taxes
Property and Other Taxes
Sales
Intergovernmental Revenue
not Restricted to Specific Programs
Investment Income
Other Income
Transfers
Capital Contribution
Total General Revenues and Special Item
Changes in Net Assets
Net Assets - Beginning Restated (see note 2)
Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government Business-type Activities	Total	Component Units
\$ (12,720,759)	\$ -	\$ (12,720,759)	\$ -
(17,133,084)	-	(17,133,084)	-
(21,369,941)	-	(21,369,941)	-
(5,014,093)	-	(5,014,093)	-
(15,338,463)	-	(15,338,463)	-
(23,688,047)	-	(23,688,047)	-
(532,681)	-	(532,681)	-
(1,995,060)	-	(1,995,060)	-
<u>(97,792,128)</u>	<u>-</u>	<u>(97,792,128)</u>	<u>-</u>
-	(420,748)	(420,748)	-
-	(346,059)	(346,059)	-
-	(1,364,383)	(1,364,383)	-
<u>-</u>	<u>(2,131,190)</u>	<u>(2,131,190)</u>	<u>-</u>
<u>(97,792,128)</u>	<u>(2,131,190)</u>	<u>(99,923,318)</u>	<u>-</u>
-	-	-	(61,455)
-	-	-	(303,536)
-	-	-	<u>(364,991)</u>
45,261,842	-	45,261,842	-
22,873,862	-	22,873,862	-
11,496,091	-	11,496,091	-
5,941,465	-	5,941,465	45,264
1,705,814	24,360	1,730,174	-
(726,463)	726,463	-	-
-	316,337	316,337	1,500,000
<u>86,552,611</u>	<u>1,067,160</u>	<u>87,619,771</u>	<u>1,545,264</u>
(11,239,517)	(1,064,030)	(12,303,547)	1,180,273
242,368,578	23,599,907	265,968,485	3,986,233
<u>\$ 231,129,061</u>	<u>\$ 22,535,877</u>	<u>\$ 253,664,938</u>	<u>\$ 5,166,506</u>

Lorain County, Ohio
Balance Sheet
Governmental Funds
December 31, 2008

	<u>General</u>	<u>Job & Family Services</u>	<u>Children Services</u>	<u>Community Mental Health</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 11,786,799	\$ 869,350	\$ 5,157,728	\$ 11,064,244
Cash with Fiscal Agent	-	-	-	-
Cash in Segregated Accounts	-	-	-	-
Receivables, Net of Allowances	15,375,635	10,320,566	16,363,265	12,240,987
Notes Receivable	-	-	-	-
Due from Other Funds	2,134,978	647,461	-	15,000
Due from Component Units	171,116	-	-	-
Advances to Other Funds	11,256,979	-	-	-
Materials and Supplies Inventory	228,530	12,952	6,207	3,130
Total Assets	<u>\$ 40,954,037</u>	<u>\$ 11,850,329</u>	<u>\$ 21,527,200</u>	<u>\$ 23,323,361</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,943,441	\$ 727,479	\$ 420,763	\$ 3,412,296
Contracts Payable	90,526	1,330,567	1,355	-
Intergovernmental Payable	1,250,033	381,436	342,850	37,941
Deferred Revenue	10,401,694	5,956,292	13,315,467	10,400,282
Due to Other Funds	11,968	26,111	47,968	11,835
Advances from Other Funds	-	-	-	-
Notes Payable	-	-	-	-
Total Liabilities	<u>13,697,662</u>	<u>8,421,885</u>	<u>14,128,403</u>	<u>13,862,354</u>
Fund Balances:				
Reserved for:				
Encumbrances	934,869	168,838	108,046	1,100
Inventory	228,530	12,952	6,207	3,130
Advances	11,256,979	-	-	-
Notes Receivable	-	-	-	-
Debt Service	-	-	-	-
Unreserved (Deficit), reported in:				
General Fund	14,835,997	-	-	-
Special Revenue Funds	-	3,246,654	7,284,544	9,456,777
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total Fund Balances	<u>27,256,375</u>	<u>3,428,444</u>	<u>7,398,797</u>	<u>9,461,007</u>
Total Liabilities and Fund Balances	<u>\$ 40,954,037</u>	<u>\$ 11,850,329</u>	<u>\$ 21,527,200</u>	<u>\$ 23,323,361</u>

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

MRDD	Q Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 10,908,019	\$ 4,869,133	\$ 43,209,588	\$ 87,864,861
-	-	308,759	308,759
-	-	2,090,670	2,090,670
22,702,235	66,361	23,706,647	100,775,696
-	-	824,980	824,980
-	-	33,691	2,831,130
-	-	-	171,116
-	-	-	11,256,979
250,200	-	943,492	1,444,511
<u>\$ 33,860,454</u>	<u>\$ 4,935,494</u>	<u>\$ 71,117,827</u>	<u>\$ 207,568,702</u>
\$ 1,139,762	\$ -	\$ 2,056,166	\$ 9,699,907
8,800	133,681	492,600	2,057,529
613,444	-	1,313,082	3,938,786
19,844,945	66,361	16,655,989	76,641,030
4,961	552,825	1,396,261	2,051,929
-	9,097,387	1,411,752	10,509,139
-	3,160,000	375,000	3,535,000
<u>21,611,912</u>	<u>13,010,254</u>	<u>23,700,850</u>	<u>108,433,320</u>
302,819	1,511,162	1,243,365	4,270,199
250,200	-	943,492	1,444,511
-	-	-	11,256,979
-	-	824,980	824,980
-	-	157,823	157,823
-	-	-	14,835,997
11,695,523	-	44,876,327	76,559,825
-	-	(1,209,806)	(1,209,806)
-	(9,585,922)	580,796	(9,005,126)
<u>12,248,542</u>	<u>(8,074,760)</u>	<u>47,416,977</u>	<u>99,135,382</u>
<u>\$ 33,860,454</u>	<u>\$ 4,935,494</u>	<u>\$ 71,117,827</u>	<u>\$ 207,568,702</u>

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Lorain County, Ohio
Reconciliation of Total Governmental Funds Balances
to Net Assets of Governmental Activities
December 31, 2008

Total governmental funds balances	\$	99,135,382
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.		140,057,291
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.		(16,467,461)
Deferrals from prior period already recorded in the net assets are now due and recorded in the fund balances		26,656,363
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(31,143,601)
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.		<u>12,891,087</u>
Net assets of governmental activities	\$	<u><u>231,129,061</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 Balances
Governmental Funds
For the Year Ended December 31, 2008

	<u>General</u>	<u>Job & Family Services</u>	<u>Children Services</u>	<u>Community Mental Health</u>
REVENUES				
Taxes:				
Property	\$ 7,777,836	\$ -	\$ 7,806,795	\$ 9,495,604
Sales	15,252,852	-	-	-
Charges for Services	4,031,362	-	-	-
Licenses, Permits and Fees	8,106,540	-	-	-
Fines and Forfeitures	1,555,506	-	-	-
Special Assessments	-	-	-	-
Intergovernmental Revenue	8,857,781	32,918,600	10,361,001	19,213,291
Interest Income	5,866,026	-	-	-
Miscellaneous Revenue	1,117,528	-	29,953	83,552
Total Revenues	<u>52,565,431</u>	<u>32,918,600</u>	<u>18,197,749</u>	<u>28,792,447</u>
EXPENDITURES				
Current:				
General Government				
Legislative and Executive	27,950,344	-	-	-
Judicial	16,042,663	-	-	-
Public Safety	7,744,169	-	-	-
Public Works	292,478	-	-	-
Health	3,151	400	-	28,669,563
Human Services	2,329,929	32,471,354	19,314,940	-
Economic Development and Assistance	-	-	-	-
Intergovernmental	579,343	-	-	-
Debt Service:				
Principal Paid	-	-	-	-
Interest Paid	-	-	-	-
Capital Outlay	32,911	-	-	-
Total Expenditures	<u>54,974,988</u>	<u>32,471,754</u>	<u>19,314,940</u>	<u>28,669,563</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,409,557)</u>	<u>446,846</u>	<u>(1,117,191)</u>	<u>122,884</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(5,058,668)	-	-	-
Total Other Financing Sources (Uses)	<u>(5,058,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(7,468,225)	446,846	(1,117,191)	122,884
Fund Balances at Beginning of Year - (Restated - see note 2)	34,705,464	2,982,644	8,515,071	9,338,359
Increase (Decrease) in Reserve for Inventory	<u>19,136</u>	<u>(1,046)</u>	<u>917</u>	<u>(236)</u>
Fund Balances at End of Year	<u>\$ 27,256,375</u>	<u>\$ 3,428,444</u>	<u>\$ 7,398,797</u>	<u>\$ 9,461,007</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>
\$ 16,153,638	\$ -	\$ 5,165,294	\$ 46,399,167
-	-	7,621,008	22,873,860
953,218	-	12,392,145	17,376,725
-	-	5,649,436	13,755,976
-	-	924,015	2,479,521
-	-	252,572	252,572
11,131,645	784,194	29,548,093	112,814,605
-	-	75,439	5,941,465
127,328	72,879	819,592	2,250,832
<u>28,365,829</u>	<u>857,073</u>	<u>62,447,594</u>	<u>224,144,723</u>
-	-	5,236,985	33,187,329
-	-	1,082,627	17,125,290
-	-	18,027,348	25,771,517
-	262,825	8,989,409	9,544,712
-	-	21,376,249	50,049,363
25,203,493	-	12,368,306	91,688,022
-	-	431,020	431,020
-	-	-	579,343
-	-	2,087,678	2,087,678
-	385,854	1,609,206	1,995,060
-	1,796,237	821,576	2,650,724
<u>25,203,493</u>	<u>2,444,916</u>	<u>72,030,404</u>	<u>235,110,058</u>
<u>3,162,336</u>	<u>(1,587,843)</u>	<u>(9,582,810)</u>	<u>(10,965,335)</u>
-	-	11,332,205	11,332,205
<u>(7,000,000)</u>	<u>-</u>	<u>-</u>	<u>(12,058,668)</u>
<u>(7,000,000)</u>	<u>-</u>	<u>11,332,205</u>	<u>(726,463)</u>
(3,837,664)	(1,587,843)	1,749,395	(11,691,798)
16,061,036	(6,486,917)	45,470,495	110,586,152
25,170	-	197,087	241,028
<u>\$ 12,248,542</u>	<u>\$ (8,074,760)</u>	<u>\$ 47,416,977</u>	<u>\$ 99,135,382</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, 2008

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

Net change in fund balance - total government funds	\$ (11,691,798)
Deferrals from prior period already recorded in the net assets are now due and recorded in revenue.	26,656,363
Deferrals recorded in the governmental funds for the year have previously been reported in net assets and must be removed.	(26,361,116)
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. (See note 2)	(413,985)
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.	(16,467,461)
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.	14,676,869
Expenses incurred as a result of asset disposition in the current period	(393,563)
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.	2,087,678
Expenses related to changes in inventory not included with governmental activities	241,028
Net revenue of certain activities of internal service funds is reported with governmental activities	<u>426,468</u>
Change in net assets of governmental activities	<u><u>\$ (11,239,517)</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, 2008

	<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	\$ 8,452,393	\$ 7,777,836	\$ 7,777,836	\$ -	\$ 7,777,836	\$ -
Sales Tax	15,100,000	15,663,771	15,663,771	-	15,663,771	-
Charges for Services	2,845,210	3,935,925	3,935,929	-	3,935,929	4
Licenses, Permits and Fees	9,374,520	8,021,428	8,051,685	-	8,051,685	30,257
Fines and Forfeitures	1,645,000	1,513,977	1,525,733	-	1,525,733	11,756
Intergovernmental	6,933,158	8,713,583	8,713,583	-	8,713,583	-
Interest	5,305,475	6,042,356	6,044,106	-	6,044,106	1,750
Other	1,303,729	1,104,344	1,104,386	-	1,104,386	42
Total Revenues	50,959,485	52,773,220	52,817,029	-	52,817,029	43,809
Expenditures						
Current:						
General Government:						
Legislative and Executive	32,421,631	31,009,413	28,553,944	949,197	29,503,141	1,506,272
Judicial	15,008,962	16,900,802	16,319,528	205,875	16,525,403	375,399
Public Safety	7,341,389	8,157,161	7,934,858	119,346	8,054,204	102,957
Public Works	286,661	311,113	282,227	23,152	305,379	5,734
Health	4,971	4,971	3,151	-	3,151	1,820
Human Services	2,591,219	2,271,106	2,129,441	15,291	2,144,732	126,374
Capital Outlay	775,876	264,471	35,290	-	35,290	229,181
Intergovernmental	5,913	500,718	497,000	3,400	500,400	318
Total Expenditures	58,436,622	59,419,755	55,755,439	1,316,261	57,071,700	2,348,055
(Deficiency) of Revenues (Under) Expenditures	(7,477,137)	(6,646,535)	(2,938,410)	(1,316,261)	(4,254,671)	2,391,864
Other Financing Sources (Uses)						
Advances - In	350,000	5,669,154	5,669,154	-	5,669,154	-
Advances - Out	-	(2,013,762)	(2,013,762)	-	(2,013,762)	-
Operating Transfers - In	-	92,640	92,640	-	92,640	-
Operating Transfers - Out	(5,498,200)	(6,835,865)	(5,058,668)	-	(5,058,668)	1,777,197
Total Other Financing (Uses)	(5,148,200)	(3,087,833)	(1,310,636)	-	(1,310,636)	1,777,197
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(12,625,337)	(9,734,368)	(4,249,046)	\$ (1,316,261)	\$ (5,565,307)	\$ 4,169,061
Fund Balance at Beginning of Year	14,889,089	14,889,089	14,889,089			
Fund Balance at End of Year	\$ 2,263,752	\$ 5,154,721	\$ 10,640,043			

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, 2008

	<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						
Intergovernmental	\$ 32,762,954	\$ 31,003,242	\$ 31,003,242	\$ -	\$ 31,003,242	\$ -
Total Revenues	32,762,954	31,003,242	31,003,242	-	31,003,242	-
Expenditures						
Current:						
Human Services:						
Salaries and Wages	8,339,279	8,931,279	8,909,373	-	8,909,373	21,906
Fringe Benefits	4,358,864	3,630,264	3,614,743	-	3,614,743	15,521
Supplies and Materials	390,100	377,100	368,317	5,495	373,812	3,288
Equipment	419,716	170,012	132,874	20,041	152,915	17,097
Contractual Services	18,724,328	19,836,791	19,162,766	215,179	19,377,945	458,846
Fees	400,000	428,192	428,192	-	428,192	-
Other	131,000	386,000	375,887	-	375,887	10,113
Total Expenditures	32,763,287	33,759,638	32,992,152	240,715	33,232,867	526,771
(Deficiency) of Revenues (Under) Expenditures	(333)	(2,756,396)	(1,988,910)	\$ (240,715)	\$ (2,229,625)	\$ 526,771
Fund Balance at Beginning of Year	2,858,260	2,858,260	2,858,260			
Fund Balance at End of Year	\$ 2,857,927	\$ 101,864	\$ 869,350			

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, 2008

	<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	\$ 8,489,403	\$ 7,806,795	\$ 7,806,795	\$ -	\$ 7,806,795	\$ -
Intergovernmental	9,751,299	10,086,617	10,086,617	-	10,086,617	-
Other	35,000	32,486	32,486	-	32,486	-
Total Revenues	<u>18,275,702</u>	<u>17,925,898</u>	<u>17,925,898</u>	<u>-</u>	<u>17,925,898</u>	<u>-</u>
Expenditures						
Current:						
Human Services:						
Salaries and Wages	8,614,707	8,944,707	8,884,085	-	8,884,085	60,622
Fringe Benefits	2,914,972	2,930,957	2,797,384	-	2,797,384	133,573
Supplies and Materials	141,039	187,381	151,420	15,142	166,562	20,819
Equipment	905,275	519,085	431,222	7,799	439,021	80,064
Contractual Services	6,287,466	6,576,099	6,326,474	89,409	6,415,883	160,216
Other	995,447	1,037,387	957,667	15,584	973,251	64,136
Total Expenditures	<u>19,858,906</u>	<u>20,195,616</u>	<u>19,548,252</u>	<u>127,934</u>	<u>19,676,186</u>	<u>519,430</u>
(Deficiency) of Revenues (Under) Expenditures	(1,583,204)	(2,269,718)	(1,622,354)	<u>\$ (127,934)</u>	<u>\$ (1,750,288)</u>	<u>\$ 519,430</u>
Fund Balance at Beginning of Year	<u>6,434,171</u>	<u>6,434,171</u>	<u>6,434,171</u>			
Fund Balance at End of Year	<u>\$ 4,850,967</u>	<u>\$ 4,164,453</u>	<u>\$ 4,811,817</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, 2008

	<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	\$ 10,284,830	\$ 9,495,604	\$ 9,495,604	\$ -	\$ 9,495,604	\$ -
Intergovernmental	15,103,419	18,584,959	18,584,959	-	18,584,959	-
Other	-	87,312	87,312	-	87,312	-
Total Revenues	<u>25,388,249</u>	<u>28,167,875</u>	<u>28,167,875</u>	<u>-</u>	<u>28,167,875</u>	<u>-</u>
Expenditures						
Current:						
Health:						
Salaries and Wages	844,248	844,248	808,078	-	808,078	36,170
Fringe Benefits	302,583	305,333	242,952	-	242,952	62,381
Supplies and Materials	101,199	92,493	36,650	2,262	38,912	53,581
Equipment	48,428	51,028	30,676	-	30,676	20,352
Contractual Services	26,838,174	33,114,403	26,525,212	1,802	26,527,014	6,587,389
Other	519,500	748,841	512,121	-	512,121	236,720
Total Expenditures	<u>28,654,132</u>	<u>35,156,346</u>	<u>28,155,689</u>	<u>4,064</u>	<u>28,159,753</u>	<u>6,996,593</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,265,883)	(6,988,471)	12,186	<u>\$ (4,064)</u>	<u>\$ 8,122</u>	<u>\$ 6,996,593</u>
Fund Balance at Beginning of Year	<u>10,708,321</u>	<u>10,708,321</u>	<u>10,708,321</u>			
Fund Balance at End of Year	<u>\$ 7,442,438</u>	<u>\$ 3,719,850</u>	<u>\$ 10,720,507</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, 2008

	<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	\$ 17,426,564	\$ 16,153,638	\$ 16,153,638	\$ -	\$ 16,153,638	\$ -
Charges for Services	3,055,392	1,338,072	1,333,112	-	1,333,112	(4,960)
Intergovernmental	10,352,915	9,795,565	9,795,565	-	9,795,565	-
Other	27,000	130,365	135,325	-	135,325	4,960
Total Revenues	<u>30,861,871</u>	<u>27,417,640</u>	<u>27,417,640</u>	<u>-</u>	<u>27,417,640</u>	<u>-</u>
Expenditures						
Current:						
Human Services:						
Salaries and Wages	14,054,000	14,904,000	14,397,675	-	14,397,675	506,325
Fringe Benefits	7,233,000	6,419,640	5,261,039	670	5,261,709	1,157,931
Supplies and Materials	512,535	538,478	368,398	39,316	407,714	130,764
Equipment	415,740	432,951	238,333	2,751	241,084	191,867
Contractual Services	6,635,550	7,001,114	3,735,640	941,871	4,677,511	2,323,603
Capital Outlay	89,955	439,955	319,532	18,228	337,760	102,195
Other	1,738,583	1,845,214	1,182,752	18,050	1,200,802	644,412
Total Expenditures	<u>30,679,363</u>	<u>31,581,352</u>	<u>25,503,369</u>	<u>1,020,886</u>	<u>26,524,255</u>	<u>5,057,097</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	182,508	(4,163,712)	1,914,271	(1,020,886)	893,385	5,057,097
Other Financing (Uses)						
Operating Transfers - Out	-	(7,000,000)	(7,000,000)	-	(7,000,000)	-
Excess(Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	182,508	(11,163,712)	(5,085,729)	<u>\$ (1,020,886)</u>	<u>\$ (6,106,615)</u>	<u>\$ 5,057,097</u>
Fund Balance at Beginning of Year	<u>15,427,160</u>	<u>15,427,160</u>	<u>15,427,160</u>			
Fund Balance at End of Year	<u>\$ 15,609,668</u>	<u>\$ 4,263,448</u>	<u>\$ 10,341,431</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, 2008

	Enterprise Fund				Governmental Activity
	Major		NonMajor		Internal Service Fund
	Lorain County Regional Airport	Sewer System	County Transit	Totals	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 196,494	\$ 878,844	\$ 252,272	\$ 1,327,610	\$ 16,066,740
Receivables, Net of Allowance	129,464	115,956	609,276	854,696	81,252
Due from Other Funds	-	265,096	6,140	271,236	-
Inventory	-	245	-	245	-
Total Current Assets	<u>325,958</u>	<u>1,260,141</u>	<u>867,688</u>	<u>2,453,787</u>	<u>16,147,992</u>
Noncurrent Assets:					
Capital Assets, Net of Depreciation:					
Land	4,479,800	51,684	-	4,531,484	-
Construction In Progress	-	151,136	-	151,136	-
Vehicles	327,658	20,273	1,213,522	1,561,453	-
Buildings & Improvements	8,592,483	-	118,502	8,710,985	-
Machinery & Equipment	21,210	-	17,608	38,818	-
Sewer Plant	-	4,022,749	-	4,022,749	-
Sewer Lines	-	9,518,351	-	9,518,351	-
Water Lines	-	497,364	-	497,364	-
Total Noncurrent Assets	<u>13,421,151</u>	<u>14,261,557</u>	<u>1,349,632</u>	<u>29,032,340</u>	<u>-</u>
Total Assets	<u>\$ 13,747,109</u>	<u>\$ 15,521,698</u>	<u>\$ 2,217,320</u>	<u>\$ 31,486,127</u>	<u>\$ 16,147,992</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 38,947	\$ 35,904	\$ 565,611	\$ 640,462	\$ 637,182
Compensated Absences	-	38,750	4,077	42,827	-
Claims and Judgments Payable	-	-	-	-	2,571,086
Due to Other Funds	-	251,800	750,000	1,001,800	48,637
Intergovernment Payable	-	15,893	5,687	21,580	-
Advances from Other Funds	287,591	460,249	-	747,840	-
OWDA Loan - Current	-	142,736	-	142,736	-
OPWC Loan - Current	-	9,223	-	9,223	-
Note Payable	-	5,355,000	-	5,355,000	-
Deferred revenue	24,000	-	-	24,000	-
Total Current Liabilities	<u>350,538</u>	<u>6,309,555</u>	<u>1,325,375</u>	<u>7,985,468</u>	<u>3,256,905</u>
Noncurrent Liabilities:					
Matured Compensated Absences	-	72,054	12,322	84,376	-
OWDA Loan	-	678,603	-	678,603	-
OPWC Loan	-	148,304	-	148,304	-
Deferred revenue	53,499	-	-	53,499	-
Total Noncurrent Liabilities	<u>53,499</u>	<u>898,961</u>	<u>12,322</u>	<u>964,782</u>	<u>-</u>
Total Liabilities	<u>404,037</u>	<u>7,208,516</u>	<u>1,337,697</u>	<u>8,950,250</u>	<u>3,256,905</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	13,421,151	7,927,692	1,349,632	22,698,475	-
Unrestricted	(78,079)	385,490	(470,009)	(162,598)	12,891,087
Total Net Assets	<u>13,343,072</u>	<u>8,313,182</u>	<u>879,623</u>	<u>22,535,877</u>	<u>12,891,087</u>
Total Liabilities and Net Assets	<u>\$ 13,747,109</u>	<u>\$ 15,521,698</u>	<u>\$ 2,217,320</u>	<u>\$ 31,486,127</u>	<u>\$ 16,147,992</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, 2008

	Enterprise Fund				Governmental Activity
	Major		NonMajor		Internal Service Fund
	Lorain County Regional Airport	Sewer System	County Transit	Totals	
Operating Revenues:					
Charges for Services	\$ 138,664	\$ 1,245,593	\$ 695,808	\$ 2,080,065	\$ 19,416,852
Grants and Contributions	100,511	-	2,539,367	2,639,878	-
Other	14,590	-	9,770	24,360	130,566
Total Operating Revenues	253,765	1,245,593	3,244,945	4,744,303	19,547,418
Operating Expenses:					
Contract Services	194,663	235,354	3,891,668	4,321,685	1,818,472
Personal Services	-	445,998	174,965	620,963	-
Fringe Benefits	-	138,131	72,883	211,014	-
Depreciation	397,890	375,631	188,400	961,921	-
Claims Expense	-	-	-	-	17,302,478
Supplies and Materials	27,047	32,954	16,143	76,144	-
Miscellaneous	1,200	288,881	17,372	307,453	-
Total Operating Expenses	620,800	1,516,949	4,361,431	6,499,180	19,120,950
Operating Income	(367,035)	(271,356)	(1,116,486)	(1,754,877)	426,468
Nonoperating (Expenses):					
Materials and Maintenance	(39,123)	(29,880)	(238,127)	(307,130)	-
Interest and Fiscal Charges	-	(44,823)	-	(44,823)	-
Total Non-operating (Expenses)	(39,123)	(74,703)	(238,127)	(351,953)	-
Income/(Loss) Before Operating Transfers and Capital Contribution	(406,158)	(346,059)	(1,354,613)	(2,106,830)	426,468
Transfers In	226,463	-	500,000	726,463	-
Capital Contribution	-	316,337	-	316,337	-
Change in Net Assets	(179,695)	(29,722)	(854,613)	(1,064,030)	426,468
Net Assets at Beginning of Year - (Restated - see note 2)	13,522,767	8,342,904	1,734,236	23,599,907	12,464,619
Net Assets at End of Year	\$ 13,343,072	\$ 8,313,182	\$ 879,623	\$ 22,535,877	\$ 12,891,087

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, 2008

	<u>Enterprise Fund</u>				<u>Governmental Activity</u>
	<u>Major</u>		<u>NonMajor</u>		<u>Internal Service Fund</u>
	<u>Lorain County Regional Airport</u>	<u>Sewer System</u>	<u>County Transit</u>	<u>Total</u>	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 128,264	\$ 917,372	\$ 690,139	\$ 1,735,775	\$ 19,445,787
Cash Paid to Suppliers	(544,211)	(538,433)	(3,689,662)	(4,772,306)	(1,833,529)
Cash Paid for Claims	-	-	-	-	(17,070,496)
Cash Paid to Employees	-	(567,741)	(231,613)	(799,354)	-
Other Receipts	27,806	250,000	2,895,909	3,173,715	83,156
Net Cash Provided (Used) by Operating Activities	(388,141)	61,198	(335,227)	(662,170)	624,918
Cash Flows from Noncapital Financing Activities:					
Transfers In	226,463	-	500,000	726,463	-
Net Cash Provided by Noncapital Financing Activities	226,463	-	500,000	726,463	-
Cash Flows from Capital and Related Financing Activities:					
Capital Contribution	-	316,337	-	316,337	-
Capital Outlay	(45,960)	(346,218)	(168,922)	(561,100)	-
Note Proceeds	-	-	-	-	-
Principal Payments - OWDA Loans	-	(136,005)	-	(136,005)	-
Principal Payments - OPWC Loans	-	(4,895)	-	(4,895)	-
Notes	-	-	-	-	-
Interest Paid	-	(44,823)	-	(44,823)	-
Net Cash (Used) by Capital and Related Financing Activities	(45,960)	(215,604)	(168,922)	(430,486)	-
Net Increase (Decrease) in Cash	(207,638)	(154,406)	(4,149)	(366,193)	624,918
Cash and Cash Equivalents, January 1, 2008	404,132	1,033,250	256,421	1,693,803	15,441,822
Cash and Cash Equivalents, December 31, 2008	<u>\$ 196,494</u>	<u>\$ 878,844</u>	<u>\$ 252,272</u>	<u>\$ 1,327,610</u>	<u>\$ 16,066,740</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, 2008

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>
	<u>Lorain County Regional Airport</u>	<u>Sewer System</u>	<u>County Transit</u>	<u>Total</u>	
Operating Income (Loss)	\$ (367,035)	\$ (271,356)	\$ (1,116,486)	\$ (1,754,877)	\$ 426,468
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	397,890	375,631	188,400	961,921	-
(Increase) Decrease in Operating Assets:					
Accounts Receivable	(990)	(65,396)	22,909	(43,477)	(63,475)
Intergovernment Receivable	143,052	-	(427,032)	(283,980)	-
Due from Other Funds	-	(252,718)	4,128	(248,590)	-
Prepaid Expense	-	-	-	-	-
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	(320,146)	7,074	239,951	(73,121)	(5,545)
Claims Payable	-	-	-	-	236,679
Sick Leave, Vacation Payable	-	14,211	2,038	16,249	-
Due from Other Funds	(216,912)	248,721	750,000	781,809	30,791
Intergovernment Payable	-	5,031	865	5,896	-
Deferred Revenue	(24,000)	-	-	(24,000)	-
Total Adjustments	<u>(21,106)</u>	<u>332,554</u>	<u>781,259</u>	<u>1,092,707</u>	<u>198,450</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (388,141)</u>	<u>\$ 61,198</u>	<u>\$ (335,227)</u>	<u>\$ (662,170)</u>	<u>\$ 624,918</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, 2008

	Agency Funds
Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 19,944,693
Cash and Cash Equivalents in Segregated Accounts	7,548,479
Property and Other Taxes	327,937,410
Special Assessments	19,243,354
Intergovernment Receivable	20,697,615
Total Assets	\$ 395,371,551
 Liabilities:	
Local Government Taxes Payable	\$ 11,792,589
Intergovernmental Payable	340,314,425
Undistributed Monies	43,264,537
Total Liabilities	\$ 395,371,551

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 Port Authority - December 31, 2008
Murray Ridge Production Center, Inc. - June 30, 2008

	Lorain County Port Authority	Murray Ridge Production Center, Inc.	Total Component Units
Assets:			
Current Assets:			
Cash and Equivalents	\$ 22,488	\$ 201,484	\$ 223,972
Investments	-	929,935	929,935
Receivables, Net of Allowances	44,250	226,855	271,105
Deposits	-	1,000	1,000
Prepaid Expenses	-	-	-
Total Current Assets	66,738	1,359,274	1,426,012
Non-Current Assets			
Restricted Bond Fund Program Reserves	2,506,300	-	2,506,300
Total Non-Current Assets	2,506,300	-	2,506,300
Capital Assets, Net of Depreciation			
Building	1,500,000	-	1,500,000
Equipment	-	88,927	88,927
Total Capital Assets	1,500,000	88,927	1,588,927
Total Assets	\$ 4,073,038	\$ 1,448,201	\$ 5,521,239
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 19,682	\$ 163,637	\$ 183,319
Intergovernmental Payable	171,414	-	171,414
Deferred Revenue	-	-	-
Total Current Liabilities	191,096	163,637	354,733
Net Assets:			
Invested in capital assets, net	1,500,000	-	1,500,000
Restricted	2,506,300	970,048	3,476,348
Unrestricted	(124,358)	314,516	190,158
Total Net Assets	\$ 3,881,942	\$ 1,284,564	\$ 5,166,506

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 Port Authority - For the Year Ended December 31, 2008
Murray Ridge Production Center, Inc. - For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>	
Lorain County Port Authority			
Economic Development	205,390	118,935	25,000
Murray Ridge Production Center, Inc.			
Production	2,040,721	1,737,185	-
Total Component Units	\$ 2,246,111	\$ 1,856,120	\$ 25,000

General Revenues:
Capital Contributions
Investment Income (Loss)
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 Port Authority	Murray Ridge Production Center, Inc.	Total Component Units
(61,455)	-	(61,455)
-	(303,536)	(303,536)
<u>\$ (61,455)</u>	<u>\$ (303,536)</u>	<u>\$ (364,991)</u>
1,500,000		1,500,000
58,884	(13,620)	45,264
<u>1,558,884</u>	<u>(13,620)</u>	<u>1,545,264</u>
1,497,429	(317,156)	1,180,273
2,384,513	1,601,720	3,986,233
<u>\$ 3,881,942</u>	<u>\$ 1,284,564</u>	<u>\$ 5,166,506</u>

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