

**Lorain County, Ohio**  
Notes to Financial Statements  
For the Year Ended December 31, 2008

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**NOTE 1 - REPORTING ENTITY**

Lorain County, Ohio (the County) was created in 1822. The County is governed by a board of three Commissioners elected by the voters of the County. The County Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the county auditor, treasurer, recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, five common pleas court judges, one probate court judge, and three domestic relations court judges.

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

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

**Discretely Presented Component Units.** The component units column on the financial statements identifies the financial data of the following component units: Murray Ridge Production Center, Inc. and Lorain County Port Authority. They are reported separately to emphasize that they are legally separate from the County.

**Murray Ridge Production Center, Inc. (Workshop).** The Workshop is a legally separate, nongovernmental not-for-profit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Lorain County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Lorain County. The Lorain County Board of MRDD provides the Workshop with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to the retarded and handicapped adults of Lorain County, the Murray Ridge Production Center, Inc. is reflected as a component unit of Lorain County. The Workshop operates on a fiscal year ending June 30. Separately issued financial statements can be obtained from the Murray Ridge Production Center, Inc. of Lorain County, 1095 Infirmity Road, Elyria, Ohio 44035.

**The Lorain County Port Authority.** The Lorain County Port Authority was created by statute as a separate and distinct political subdivision of the State. The purpose of the Lorain County Port Authority is to promote economic development by assisting private industry initiatives; by encouraging development and redevelopment; and by promoting investment in business, industrial and transportation projects. As of December 31, 2008, the Authority has a liability to the County in the amount of \$171,116 for past operating advances. Under GASB Statement No. 14, this is considered to be a financial burden on the County; also the County can impose its will on the Authority through the appointment of the members of the Board of Directors. Therefore, the Authority is a component unit of Lorain County. Separately issued financial statements can be obtained from the Lorain County Port Authority, Lorain County Administration Building, Elyria, Ohio 44035.

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The County is associated with certain organizations which are defined as a Risk Sharing Pool, Jointly Governed Organizations or Related Organizations. These organizations are presented in Note 10, Note 11 and Note 12 to the financial statements. These organizations are:

County Risk Sharing Authority, Inc.  
Lorain County Cluster  
Northeast Ohio Areawide Coordinating Agency  
Lorain County Metropolitan Park District  
Lorain County Community College  
Community Based Correctional Facility

As the custodian of public funds, the County Treasurer invests all public moneys held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations nor are the entities fiscally dependent on the County. Accordingly, the activity of the following entities are presented as agency funds within Lorain County's financial statements:

**General Health District.** The five member Board of Health which oversees the operation of the Health District is elected by a District Advisory Council comprised of township trustees and mayors of participating municipalities. The Board adopts its own budget, hires and fires its own staff, and operates autonomously from the County.

**Soil and Water Conservation District.** The Soil and Water Conservation District is created by statute as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The Supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

**Local Emergency Planning Commission.** The Local Emergency Planning Commission is statutorily created as a separate and distinct political subdivision of the State. Its members are appointed by the Emergency Response Commission. The Commission adopts its own budget, authorizes expenditures, hires and fire staff, and operates autonomously from the County. The activity of the Local Emergency Planning Commission is reported to the Emergency Response Commission.

**Lorain County Family and Children First Council.** The Lorain County Family and Children First Council was created by Ohio Revised Code and is governed by a multi-member board. The purpose of the Council is to identify ways in which Lorain County child serving systems can provide services to the community in the most efficient and effective manner.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

### **A. Basis of Presentation**

The County's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and Fund Financial Statements, which provide a more detailed level of financial information.

### **Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

### **Fund Financial Statements**

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

### **B. Fund Accounting**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The following categories and fund types are used by the County:

#### **Governmental Funds**

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

**General Fund.** The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to a resolution of the County and/or the general laws of Ohio.

**Job & Family Services.** The fund accounts for various federal and state grants used to provide public assistance to general relief recipients and pay their providers of medical assistance, and for certain public social services.

**Children Services.** The fund accounts for federal and state welfare subsidies and a countywide property tax levy. Major expenditures are for support and placement of children.

**Community Mental Health.** The fund accounts for the operation of providing mental health services and facilities for the citizens of Lorain County. Revenue sources are a countywide property tax levy, federal and state grants, and subsidies from the Ohio Department of Mental Health.

**Mental Retardation and Development Disabilities Fund (MRDD).** The fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources are a countywide property tax levy, federal and state grants, and subsidies from the Ohio Department of Education and the Ohio Department of Mental Retardation and Developmental Disabilities.

**Q Construction.** The fund accounts for monies used for acquisition and construction of various projects within the county.

### **Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. These funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major proprietary funds:

**Enterprise Funds.** These funds are used to account for the County's Sewer System, the Lorain County Transit and the Lorain County Regional Airport. They are financed and operated in a manner similar to private sector business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Internal Service Fund.** This fund is used to account for the medical self-insurance fund. It is used to account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis.

### **Fiduciary Funds**

**Agency Funds.** These funds are used to account for assets held by the County as an agent for other governments, other funds and individuals. These assets include property and other taxes as well as other intergovernmental resources that have been collected by the County and will be distributed to other taxing districts located within the County.

### **C. Measurement Focus**

#### **Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included in the Statement of Net Assets. For the most part, the effect of interfund activity has been removed from these statements except for interfund services provided and used are not eliminated in the process of consolidation.

#### **Fund Financial Statements**

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Changes in Revenues, Expenses, and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The Statement of Cash Flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

**D. Basis of Accounting**

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

**Revenues – Exchange and Nonexchange Transactions**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end; sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, interest, and rent.

**Deferred Revenues**

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2008, but were levied to finance 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The County may charge funds or programs (through internal service funds or the general funds) for “centralized” expenses, which may include an administrative overhead component. These charges are included in the direct expenses of the respective fund.

### **E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The Law Enforcement Trust Fund and Law Enforcement Tech Grant Fund are included in with the Nonmajor Special Revenue section without a budget. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources established a limit on the amount the County Commissioners may appropriate. The Appropriation Resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund personal services level except for the General Fund, which is at the fund personal services department level.

The Certificate of Estimated Resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. These appropriations were made before the end of the prior year and before the year end fund balances were known. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final Amended Certificate of Estimated Resources issued during 2008.

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

The County's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

- (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accruals (GAAP)
- (2) Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which include amendments to the original appropriation, for each fund type by expenditure function and revenue source are presented in the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (non-GAAP Budgetary Basis). The difference between the accrual and cash basis statements was not significant. The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

### **F. Budgetary Non-Compliance**

Contrary to 5705.41(B) of the Ohio Revised Code, Northern Boarder Initiative fund had expenditures exceeding appropriations by \$382,000 due to "on behalf of" Federal grant disbursements through the Ohio Department of Public Safety, Ohio Homeland Security division.

### **G. Equity in Pooled Cash and Cash Equivalents**

To improve cash management, cash received by the County is pooled in a central bank account. Moneys for all funds, including the proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. During 2008, investments were limited to certificates of deposit, overnight repurchase agreements, National City Money Market Fund, interest in STAR Ohio, the State Treasurer's Investment Pool, U.S. Treasury notes, Federal Farm Credit Bank (FFCB) notes, Federal National Mortgage Association (FNMA) notes, Federal Home Loan Bank (FHLB) notes, Federal Home Loan Mortgage Company (FHLMC) notes, Student Loan Marketing Association (SLMA), Federal Securities, commercial paper, and bankers acceptances. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at a fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost. Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest earned on

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investments is credited to the general fund, except as stipulated by State statute or County resolution. Interest revenue credited to the general fund during 2008 totaled \$5,866,026, which includes \$5,319,794 assigned from other County funds.

The County utilizes a financial institution to service bonded debt as principal and interest payments come due and to administer the community development block grant revolving loans. The balance in this account is presented on the balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits. The County has segregated bank accounts for monies held separate from the County's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash and cash equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an original maturity of more than three months are considered to be investments.

**H. Inventory**

Inventories of all funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used.

**I. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for any residual amounts due between governmental and business-type activities, which are presented as internal balances.

**J. Capital Assets and Depreciation**

Capital assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of fifteen thousand dollars for property, plant and equipment and ten thousand dollars for infrastructure items. The County's infrastructure consists of roads, bridges, and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

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

Description	Years
Buildings and Building Improvements	50
Machinery and Equipment	7 – 25
Vehicles	15 – 20
Infrastructure	10 – 50
Sewerlines	40 – 90

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits

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through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using current expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### **L. Accrued and Long-Term Liabilities**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Loans are recognized as a liability on the fund financial statements when due.

#### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### **N. Fund Balance Reserves**

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, inventory, advances, notes receivable and debt service.

#### **O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the County, these revenues are charges for services for the sewer, transit and airport service. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

#### **P. Interfund Transactions**

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

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

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**Q. Estimates**

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

**R. Restatement**

The County has corrected an overpayment of an advance previously processed on a transfer between the General Fund and Community Development Block Grant Fund.

The County has also taken a loan for financing various projects from the Ohio Public Works Commission (OPWC) in prior years. These loans are repaid without interest and are now reported in the Motor Vehicle Gasoline Tax and the Sewer System Fund.

The County recorded receivables for Grants in the prior year that did not materialize and has elected to restate the prior year balances in Atrazine Grant Program and Domestic Relations Title IV-E.

The County has recorded construction in progress that was previously expensed in the Lorain County Regional Airport.

	Total Governmental Funds	General	Nonmajor Governmental Funds
Fund Balance as of December 31, 2007	\$110,748,731	\$34,660,137	\$45,678,401
Correction of Advance	-	45,327	(45,327)
Correction of Grants receivables	(162,579)	-	(162,579)
Net Assets as of January 1, 2008	<u>\$110,586,152</u>	<u>\$34,705,464</u>	<u>\$45,470,495</u>

  

	Total Enterprise Funds	Major Fund	
		Lorain County Regional Airport	Sewer System
Fund Balance as of December 31, 2007	\$23,446,289	\$13,206,727	\$8,505,326
OPWC Loans	(162,422)	-	(162,422)
Construction In Progress	-	316,040	-
Fund Balance restated January 1, 2008	<u>\$23,283,867</u>	<u>\$13,522,767</u>	<u>\$8,342,904</u>

Certain Capital Improvements were expensed in the previous year on the full accrual basis of accounting for MRDD-Capital and are now being capitalized. Governmental Activities and Business-Type Activities are adjusted as follows:

	Governmental Activities	Business-Type Activities
Change in Net Assets Previously Stated at December 31, 2007	\$2,801,642	\$(903,200)
Restate Grants Receivable	(162,579)	-
Restate Construction In Progress	-	316,040
Restate for Capital Outlay	1,479,260	-
Change in Net Assets Restated at December 31, 2007	<u>\$4,118,323</u>	<u>\$(587,160)</u>
Net Assets December 31, 2007	\$242,065,717	\$23,446,289
OPWC Loans	(1,013,820)	(162,422)
Restate Construction In Progress	-	316,040
Restate Grants Receivable	(162,579)	-
Restate for Capital Outlay MRDD-Capital	1,479,260	-
Net Assets Restated January 1, 2008	<u>\$242,368,578</u>	<u>\$23,599,907</u>

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**S. Entity-Wide Reconciliations**

The following details reconciling items between entity-wide and government-wide financial statements for the year ended December 31, 2008:

Reconciliation of Net Assets:	
Long-Term Liabilities:	
General Obligation Bonds	\$10,730,000
Special Assessment Bonds	3,781,683
Justice Center Bonds	15,705,000
OPWC Loan	926,918
Total Long-Term Liability Adjustment	<u>\$31,143,601</u>
Reconciliation of Changes in Net Assets:	
Capital Outlay Adjustment:	
Government-Wide Capital Outlay	\$ 5,052,943
Depreciation-Entity-Wide	<u>(5,466,928)</u>
Excess Capital Outlay	<u>\$ (413,985)</u>
Issuance of Long-Term Debt:	
Principal Paid	<u>\$2,087,678</u>
Internal Service:	
Change in Net Assets-Government-Wide	\$408,622
Additional Entity-Wide Income	<u>17,846</u>
Internal Service, Change in Net Assets, Entity-Wide	<u>\$426,468</u>

**T. Change in Accounting Principles**

The GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension, which provides standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities, note disclosures, and if applicable, required supplementary information in the financial reports. The implementation of this statement has made no impact on the County's financial reporting or results of financial position for 2008.

The GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which provide guidance on how to calculate and report costs and obligations associated with pollution cleanup efforts. The implementation of this statement has made no impact on the County's financial reporting or results of financial position for 2008.

The GASB issued Statement No. 50, Pension Disclosures an amendment of GASB Statements No. 25 & No. 27, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The implementation of this statement has made no impact on the County's financial reporting or results of financial position for 2008.

**NOTE 3 – DEFICIT IN NET ASSETS**

The following funds had a deficit in net assets at December 31, 2008:

	<u>Deficit</u>
Special Revenue Funds:	
Certificate of Title	\$ (32,982)
Bascule Bridge	(76,676)
Ditch Rotary	(32,444)
Debt Service	(1,051,983)
Q Construction	(8,074,760)

The deficit fund balances resulted from the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that the County has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
3. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**Lorain County, Ohio**  
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For the Year Ended December 31, 2008

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

The County may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the County.

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

**Deposits** – Custodial credit risk is the risk that, in the event of bank failure, the County's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County has no deposit policy dealing with deposit custodial credit risk beyond the requirement in state statute.

At December 31, 2008, the carrying amount of all County deposits was \$24,577,940. Of the County's bank balance of \$28,894,251, \$3,384,426 was covered by FDIC. The remaining \$25,509,825 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**Investments-** As of December 31, 2008, the County had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturity (in years)</u>	
		<u>Less than One Year</u>	<u>1 – 5</u>
STAR Ohio	\$ 20,268,160	\$20,268,160	\$ -
FHLMC	31,596,688	1,941,297	29,655,391
FNMA	26,040,625	2,005,000	24,035,625
FHLB	10,268,750	4,097,188	6,171,562
FFCB	15,624,531	-	15,624,531
Money Market Funds	1,193,407	1,193,407	-
Overnight Repurchase Agreement	5,581,711	5,581,711	-
<b>Total Investments</b>	<b>\$110,573,872</b>	<b>\$35,086,763</b>	<b>\$75,487,109</b>

**Lorain County, Ohio**  
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**Interest Rate Risk** – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. According to the County’s policy, investments made by the Treasurer must mature within five years from the date of purchase with an average weighted maturity not to exceed two years.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poors. The County has no investment policy dealing with investment credit risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

FNMA	AAA
FHLB	AAA
FFCB	AAA
FHLMC	AAA
STAR Ohio	AAA
Overnight Repurchase Agreement	Unrated

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Overnight Repurchase Agreement, STAR Ohio, Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation Discount Notes, Money Market and the Federal National Mortgage Association Discount Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent but not in the County’s name. The County has no investment policy dealing with investment custodial credit risk beyond the requirement in State Statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk** is the possibility of loss attributed to the magnitude of the County’s investment in a single issuer. The County’s investments are in STAR Ohio, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes, Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Discount Notes, Money Market and Overnight Repurchase Agreement. These investments are 18%, 29%, 24%, 9%, 14%, 1% and 5% respectively, of the County’s total investments. The County’s policy places no limit on the amount that may be invested in any one issuer.

STAR Ohio is an investment pool managed by the State Treasurer’s Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price that is the price the investment could be sold for on December 31, 2008.

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the County. Real property taxes collected in 2008 are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes collected in 2008 were intended to finance 2008 operations.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). Public utility property taxes paid in 2008 became a lien December 31, 2007, are levied after October 1, 2007, and are collected in 2008 with real property taxes. 2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are 6.25% of actual value.

**Lorain County, Ohio**  
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The full tax rate for all County operations applied to real property for the fiscal year ended December 31, 2008 was \$13.49 per \$1,000 of assessed value. The assessed values upon which the 2008 taxes were collected were as follows:

Category	Assessed Value
Real Estate	\$6,621,100,000
Tangible Personal:	
General	6,541,303
Public Utilities	240,743,430
Total	\$6,868,384,733

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

Accrued property taxes receivable represents delinquent taxes outstanding and real, tangible personal, and public utility taxes, which were measurable as of December 31, 2008.

**NOTE 6 - PERMISSIVE SALES AND USE TAX**

In 1986, the County Commissioners, by resolution, imposed a .5% tax on all retail sales made in the County. During 1994, the County approved, by levy, a .25% sales tax for the construction, operation and maintenance of a jail facility. Collection started in July of 1995. This activity is presented in the jail facility operation special revenue fund and the jail facility construction capital projects fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month. The State Auditor then has five days to draw the warrant payable to the County.

Proceeds of the .5% tax are credited to the general fund and the .25% are credited to the jail facility operation special revenue fund and the jail facility construction capital projects fund. Amounts measurable and available at year-end are accrued as revenue. During 2008, sales tax revenue amounted to \$22,873,860.

**Lorain County, Ohio**  
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**NOTE 7 - RECEIVABLES**

Receivables as of year end for the government's individual major funds and nonmajor, internal service, sewer system and county transit funds in the aggregate are deemed collectible in full and are as follows:

	<u>General</u>	<u>Job &amp; Family Services</u>	<u>Children Services</u>	<u>Community Mental Health</u>	<u>MRDD</u>	<u>Sewer System</u>	<u>County Transit</u>	<u>Internal Service Fund</u>	<u>Lorain County Regional Airport</u>	<u>Q Construction</u>	<u>Nonmajor Governmental Funds</u>
Receivables:											
Interest	\$ 837,987	-	-	-	-	-	-	-	-	-	\$ 1,674
Property and other Taxes	8,197,032	-	8,437,325	9,858,411	16,874,484	-	-	-	-	-	5,023,595
Sales Tax	2,294,646	-	-	-	-	-	-	-	-	-	1,146,596
Accounts	497,336	-	1,067	-	137,911	98,766	10,665	81,252	2,490	-	1,194,624
Special Assessment	-	-	-	-	-	17,189	-	-	-	-	3,160,271
Intergovernmental	731,625	10,320,566	7,924,873	2,382,576	5,689,840	-	598,611	-	126,974	66,361	13,179,887
Local Government	<u>2,817,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$15,375,635</u>	<u>\$10,320,566</u>	<u>\$16,363,265</u>	<u>\$12,240,987</u>	<u>\$22,702,235</u>	<u>\$115,955</u>	<u>\$609,276</u>	<u>\$81,252</u>	<u>\$129,464</u>	<u>\$66,361</u>	<u>\$23,706,647</u>

**Lorain County, Ohio**  
Notes to Financial Statements  
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**NOTE 8 – CAPITAL ASSETS**

**Construction In Progress:** The County has active construction projects as of December 31, 2008, of more than \$1.7 million for a Transportation Center, sewer, and improvement projects.

Capital asset activity for the County for the year ended December 31, 2008, appears on the following page.

Depreciation expense was charged to functions and programs of the County as follows:

Governmental Activities:	
Legislative & Executive	\$ 546,649
Judicial	1,005,750
Public Safety	676,083
Public Works	2,753,282
Health	118,508
Human Services	366,656
Total Depreciation Expense –Governmental Activities	<u>\$5,466,928</u>
Business-Type Activities:	
Buildings, Structures and Improvements	\$ 373,940
Vehicles	206,151
Machinery & Equipment	6,199
Sewer Plants	83,276
Sewer Lines	268,086
Water Lines	24,269
Total Depreciation Expense –Business-Type Activities	<u>\$ 961,921</u>

Activity for the Component Units for the years ended December 31, 2008 and June 30, 2008 are as follows:

	<u>Beginning Balance</u>	<u>Changes in Assets</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:			
Construction In Progress	\$ -	\$ -	\$ -
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets Being Depreciated:			
Buildings	-	1,500,000	1,500,000
Machinery & Equipment	231,339	-	231,339
Total Capital Assets, Being Depreciated	<u>231,339</u>	<u>1,500,000</u>	<u>1,731,339</u>
Less Accumulated Depreciation:			
Machinery & Equipment	94,526	47,886	142,412
Total Accumulated Depreciation	<u>94,526</u>	<u>47,886</u>	<u>142,412</u>
Total Capital Assets, Being Depreciated, Net	<u>136,813</u>	<u>1,452,114</u>	<u>1,588,927</u>
Component Units Capital Assets, Net	<u>\$136,813</u>	<u>\$1,452,114</u>	<u>\$1,588,927</u>

**Lorain County, Ohio**  
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Activity for the Governmental Activities for the year ended December 31, 2008 are as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 5,359,831	\$ -	\$ 13,214	\$ 5,346,617
Construction In Progress	3,801,471	97,032	2,277,544	1,620,959
Total Capital Assets, Not Being Depreciated	<u>9,161,302</u>	<u>97,032</u>	<u>2,290,758</u>	<u>6,967,576</u>
Capital Assets Being Depreciated:				
Buildings, Structures and Improvements	106,038,008	5,028,930	5,922	111,061,016
Vehicles	5,740,790	852,105	256,539	6,336,356
Machinery & Equipment	5,927,859	155,607	117,888	5,965,578
Furniture & Fixtures	130,040	-	-	130,040
Infrastructure	89,943,120	2,062,961	-	92,006,081
Total Capital Assets, Being Depreciated	<u>207,779,817</u>	<u>8,099,603</u>	<u>380,349</u>	<u>215,499,071</u>
Less Accumulated Depreciation:				
Buildings, Structures and Improvements	22,794,736	2,227,736	4,027	25,018,445
Vehicles	3,496,532	237,442	244,907	3,489,067
Machinery & Equipment	2,900,329	364,731	117,888	3,147,172
Furniture & Fixtures	114,145	994	-	115,139
Infrastructure	48,050,210	2,636,025	-	50,686,235
Total Accumulated Depreciation	<u>77,355,952</u>	<u>5,466,928</u>	<u>366,822</u>	<u>82,456,058</u>
Total Capital Assets, Being Depreciated, Net	<u>130,423,865</u>	<u>2,632,675</u>	<u>13,527</u>	<u>133,043,013</u>
Governmental Activities Capital Assets, Net	<u>\$139,585,167</u>	<u>\$2,729,707</u>	<u>\$2,304,285</u>	<u>\$140,010,589</u>

Activity for the Business-Type Activities for the year ended December 31, 2008 are as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 4,531,484	\$ -	\$ -	\$ 4,531,484
Construction in Progress	547,203	-	396,067	151,136
Total Capital Assets, Not Being Depreciated	<u>5,078,687</u>	<u>-</u>	<u>396,067</u>	<u>4,682,620</u>
Capital Assets Being Depreciated:				
Buildings, Structures and Improvements	9,030,116	553,860	-	9,583,976
Vehicles	3,401,093	141,686	641,942	2,900,837
Machinery & Equipment	29,694	19,565	-	49,259
Sewer Plants	4,126,569	46,291	-	4,172,860
Sewer Lines	13,322,038	98,637	-	13,420,675
Water Lines	1,862,800	-	-	1,862,800
Total Capital Assets, Being Depreciated	<u>31,772,310</u>	<u>860,039</u>	<u>641,942</u>	<u>31,990,407</u>
Less Accumulated Depreciation:				
Buildings, Structures and Improvements	499,051	373,940	-	872,991
Vehicles	1,564,992	206,151	431,759	1,339,384
Machinery & Equipment	4,242	6,199	-	10,441
Sewer Plants	66,835	83,276	-	150,111
Sewer Lines	3,634,242	268,082	-	3,902,324
Water Lines	1,341,163	24,273	-	1,365,436
Total Accumulated Depreciation	<u>7,110,525</u>	<u>961,921</u>	<u>431,759</u>	<u>7,640,687</u>
Total Capital Assets, Being Depreciated, Net	<u>24,661,785</u>	<u>(101,882)</u>	<u>210,183</u>	<u>24,349,720</u>
Business-Type Activities Capital Assets, Net	<u>\$29,740,472</u>	<u>\$(101,882)</u>	<u>\$606,250</u>	<u>\$29,032,340</u>

**Lorain County, Ohio**  
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**NOTE 9 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County entered into contracts with CORSA (see Note 10) for various insurance, which includes the following types of insurance, amount of coverage and the amount of deductible:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Law Professional	\$ 1,000,000	\$5,000
Automobile Fleet Liability	1,000,000	5,000
Fire	301,028,020	5,000
Boiler and Machinery	100,000,000	5,000
Extra Expense	1,000,000	5,000
Valuable Papers	1,000,000	5,000
Electronic Data Processing	Replacement Cost	5,000
Miscellaneous Equipment	Actual Cash Value	5,000
Contractors' Equipment	Actual Cash Value	5,000
Umbrella Liability	5,000,000	-

All employees of the County are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The County pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The County established a medical self-insurance fund (an internal service fund) to account for and finance uninsured risks of loss. The predominant participant is the County. Under this program, the medical self-insurance fund provides coverage for up to a maximum of \$250,000 for each individual claim. The County purchased commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss.

All funds of the County participate in the program and make payments to the medical self-insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$2,571,086 reported in the fund at December 31, 2008, is estimated by the third-party administrator and is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2006, 2007 and 2008 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2006	\$2,041,285	\$16,251,987	\$15,907,652	\$2,385,620
2007	2,385,620	15,134,735	15,185,948	2,334,407
2008	2,334,407	17,307,175	17,070,496	2,571,086

**NOTE 10 - RISK SHARING POOL**

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2008 was \$917,857.

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Lorain County Cluster**

Lorain County Cluster provides services to multi-need youth in Lorain County. Members of the Cluster include Lorain County School Systems, Board of Mental Retardation and Developmental Disabilities, Lorain County Mental Health Board, Lorain County Children Services, Lorain County Addiction and Recovery Services Board, Lorain County Health District, and Ohio Department of Youth Services. The operation of the Cluster is controlled by an advisory committee, which consists of a representative from each agency. Funding comes from services provided by each of the participants.

**B. Northeast Ohio Areawide Coordinating Agency**

Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 37 members including the three County Commissioners. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. During 2008 the County contributed \$38,711.

**NOTE 12 - RELATED ORGANIZATIONS**

**A. Lorain County Metropolitan Park District**

The three Park District Commissioners are appointed by the Probate Judge of the County. The Park District hires and fires its own staff and does not rely on the County to finance deficits. The County is not financially accountable for the Park District nor is the Park financially dependent on the County. The Park District serves as its own budgeting, taxing and debt issuance authority. The Park District did not receive any funding from the County during 2008.

**B. Lorain County Community College**

The County is responsible for appointing the trustees of the Lorain County Community College, but the County's accountability does not extend beyond making the appointments. The College did not receive any funding from the County during 2008.

### **C. Community Based Correctional Facility**

The Community Based Correctional Facility Board is composed of four common pleas court judges from Lorain County and two common pleas court judges from neighboring Medina County. The County's accountability does not extend beyond serving as fiscal agent for pass-through grants. The Community Based Correctional Facility Board did not receive any funding from the County during 2008.

### **NOTE 13 - DEFINED BENEFIT PENSION PLANS**

#### **A. Ohio Public Employees Retirement System (OPERS)**

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

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

For the year ended December 31, 2008, the members of all three plans were required to contribute 10% of their annual covered salaries. The County's contribution rate for pension benefits for 2008 was 14% for employees other than law enforcement. For law enforcement employees, the employee contribution is 10.1% and the employer contribution is 17.4%. The Ohio Revised Code provides statutory authority for member and employer contributions. The County's required contributions to OPERS for the years ended December 31, 2008, 2007 and 2006 were \$13,723,969, \$12,507,425, and \$11,854,007, respectively. The full amount has been contributed for 2007 and 2006. 93% has been contributed for 2008 with the remainder being reported as a liability.

#### **B. State Teacher's Retirement System (STRS)**

Lorain County participates in the State Teacher's Retirement System of Ohio (STRS), a cost sharing, multiple-employer public employee retirement system. STRS is a statewide plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan

DB Plan Benefits-Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or

the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional .10% is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits-** Benefits are established under Chapter 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits-** Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for defined benefit plan participants.

The Defined Benefit and Combined Plans offer access to health coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement age may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008 were 10% of covered payroll for members and 14% for employers. The Lorain County’s contribution to STRS for the years ended December 31, 2008, 2007 and 2006 were \$260,154, \$239,785 and \$228,658 respectively. The full amount has been contributed for 2008, 2007 and 2006.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2008 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, or by calling 1-888-227-7877.

#### **NOTE 14 - POSTEMPLOYMENT BENEFITS**

##### **A. Ohio Public Employees Retirement System (OPERS)**

In addition to the pension benefits described in Note 13, OPERS maintains a cost sharing multiple employer defined benefit post employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post employment health care coverage. In order to qualify for post retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. The 2008 employer contribution rate was 14% of covered payroll and 7% was allocated to fund health care for the year. For law enforcement employees, the employer contribution rate was 17.41%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for local employer units and 18.1% of covered payroll for law enforcement and public safety employer units. Active members do not make contributions to the OPEB Plan. The County's contributions to OPERS which were used to fund post employment benefits for the year ended December 31, 2008, 2007 and 2006 were \$6,789,078, \$4,915,110 and \$3,853,575 respectively of which \$908,442, \$650,963 and \$504,387 for employees not engaged in law enforcement and \$52,236, \$36,945 and \$29,043 for law enforcement employees, was allocated to the health care plan.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) effective January 1, 2007. Member and employee contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

##### **B. State Teacher's Retirement System (STRS)**

State Teachers Retirement System of Ohio (STRS OHIO) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2008 and 2007, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For Lorain County, this amount equaled \$18,582 during 2008.

The balance in the Health Care Stabilization Fund was \$3.7 billion on June 30, 2008. For the fiscal year ended June 30, 2008 net health care costs paid by STRS Ohio were \$288,878,000. There were 126,506 eligible benefit recipients.

**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

Vacation leave is earned at rates, which vary depending upon length of service and standard workweek. Current policy permits vacation leave to be carried forward with supervisory approval. County employees are paid for earned, unused vacation leave at the time of termination of employment. Vacation leave is recognized as a liability in the period in which it is earned.

Sick leave is earned at various rates for every eighty hours worked by various departments. Current policy permits sick leave to be accumulated without limit. At the time of separation with the County, the majority of employees who have five or more years of public service under OPERS, shall receive cash payment of sick leave not to exceed 1000 hours. Employees hired after November 15, 2005 and upon separation from the County or retirement with five years or more of public service under OPERS with his or her current employer, shall receive cash payment of sick leave not to exceed 250 hours. The employee shall retain any remaining leave balance for credit upon re-employment in the public service. This sick leave conversion payment shall be based on the employee's rate of pay at the time of separation or death.

The estate of the deceased employee shall be eligible for 100% of the employee's sick leave balance as of the date of their death, providing they are otherwise qualified to receive such benefit (five years of service under OPERS). Such payment shall be made in accordance with 2113.04 of the Ohio Revised Code, or shall be paid to the employee's estate.

Compensated absences are reported in governmental funds only if they have matured.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is that amount expected to be paid using expendable available financial resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences of \$127,203 is reported as a fund liability.

**NOTE 16 - OUTSTANDING DEBT**

**A. Short-Term Debt**

Short-term note debt activity for the year ended December 31, 2008, consisted of the following:

	<u>Balance 1/1/08</u>	<u>Issued</u>	<u>(Retired)</u>	<u>Balance 12/31/08</u>
<b>Enterprise</b>				
2008-2.5% Sewer Improvements Note Due 5/14/09	\$ -	\$5,355,000	\$ -	\$5,355,000
2007-4.50% Sewer Improvements Note Due 8/15/08	5,355,000	-	(5,355,000)	-
<b>Governmental</b>				
2008-2.5% Sewer Improvements Note Due 5/14/09	-	245,000	-	245,000
2008-3.00% Highway Improvements Note Due 3/26/09	-	680,000	-	680,000
2008-2.50% Highway Improvements Note Due 6/02/09	-	2,610,000	-	2,610,000
2007-4.25% Highway Improvements Note Due 3/28/08	950,000	-	(950,000)	-
2007-4.25% Highway Improvements Note Due 6/04/08	2,500,000	-	(2,500,000)	-
<b>Total Short-Term Notes</b>	<u>\$8,805,000</u>	<u>\$8,890,000</u>	<u>\$(8,805,000)</u>	<u>\$8,890,000</u>

**Lorain County, Ohio**  
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**B. Bonded Long-Term Debt**

Changes in long-term obligations of the County during 2008 were as follows:

	<u>Balance 1/1/08</u>	<u>Issued</u>	<u>(Retired)</u>	<u>Balance 12/31/08</u>	<u>Amount Due In One Year</u>
General Obligation Bonds- Unvoted					
2002-3.00% to 5.50% Justice Center Bonds (Org. \$25,000,000)	\$16,495,000	\$ -	\$ (790,000)	\$15,705,000	\$ 820,000
2004-2.00% to 4.35% Various Improvements (Org. \$3,870,000)	3,425,000	-	(155,000)	3,270,000	155,000
2005-3.00% to 5.00% General Obligation Refunding Bonds (Org. \$5,560,000)	4,385,000	-	(415,000)	3,970,000	425,000
2006-4.00% General Obligation Energy Conservation Bonds (Org. \$4,220,000)	3,915,000	-	(425,000)	3,490,000	440,000
Total General Obligation Bonds -Unvoted	<u>28,220,000</u>	<u>-</u>	<u>(1,785,000)</u>	<u>26,435,000</u>	<u>1,840,000</u>
Special Assessment Bonds- Governmental Commitment					
2000-5.480% Allison Ditch Improvement (Org. \$6,721)	2,459	-	(776)	1,683	819
2000-4.45% to 5.95% Sanitary Sewer (Org. \$575,000)	440,000	-	(25,000)	415,000	25,000
2001-2.50% to 5.00% Sewer System Improvement (Org. \$4,560,000)	3,555,000	-	(190,000)	3,365,000	200,000
Total Special Assessment Bonds	<u>3,997,459</u>	<u>-</u>	<u>(215,776)</u>	<u>3,781,683</u>	<u>225,819</u>
Total Bonded Long-Term Debt	<u>\$32,217,459</u>	<u>\$ -</u>	<u>\$(2,000,776)</u>	<u>\$30,216,683</u>	<u>\$2,065,819</u>

**C. Other Long-Term Debt**

	<u>Balance 1/1/08</u>	<u>Issued</u>	<u>(Retired)</u>	<u>Balance 12/31/08</u>	<u>Amount Due In One Year</u>
Business-type:					
OWDA Loans					
Sewer Improvement 101 – 5.20%	\$241,398	\$ -	\$ (43,454)	\$197,944	\$ 45,743
Sewer Improvement 102 – 4.80%	527,457	-	(70,946)	456,511	74,392
Sewer Improvement 103 – 4.56%	188,489	-	(21,605)	166,884	22,601
Total OWDA Loans	<u>\$957,344</u>	<u>\$ -</u>	<u>\$(136,005)</u>	<u>\$821,339</u>	<u>\$142,736</u>
OPWC Loans - Restated					
OPWC – CI47G – 0.0%	\$ 86,550	\$ -	\$ -	\$ 86,550	\$ 4,328
OPWC – CI28D – 0.0%	75,872	-	(4,895)	70,977	4,895
Total OPWC Loans	<u>\$162,422</u>	<u>\$ -</u>	<u>\$ (4,895)</u>	<u>\$157,527</u>	<u>\$ 9,223</u>

**Lorain County, Ohio**  
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	<u>Balance 1/1/08</u>	<u>Issued</u>	<u>(Retired)</u>	<u>Balance 12/31/08</u>	<u>Amount Due In One Year</u>
<b>Governmental</b>					
OPWC – CI121 – 0.0%	\$ 169,200	\$ -	\$ (9,400)	\$159,800	\$ 9,400
OPWC – CI25K – 0.0%	15,991	-	(1,333)	14,658	1,333
OPWC – CI44H – 0.0%	141,844	-	(8,344)	133,500	8,344
OPWC – CI44B – 0.0%	167,005	-	(14,522)	152,483	14,522
OPWC – CI43E – 0.0%	83,412	-	(12,832)	70,580	12,832
OPWC – CI41E – 0.0%	249,200	-	(15,575)	233,625	15,575
OPWC – CI38E – 0.0%	34,901	-	(6,345)	28,556	6,346
OPWC – CI25C – 0.0%	53,638	-	(4,291)	49,347	4,291
OPWC – CI07B – 0.0%	77,303	-	(12,884)	64,419	12,884
OPWC – CI02F – 0.0%	21,326	-	(1,376)	19,950	1,376
<b>Total OPWC Loans</b>	<u>\$1,013,820</u>	<u>\$ -</u>	<u>\$(86,902)</u>	<u>\$926,918</u>	<u>\$86,903</u>

The Ohio Water Development Authority Loans (OWDA) will be repaid with special assessments. In the event that a property owner would fail to pay the assessment, payment would be made by the County. The Ohio Public Works Commission (OPWC) interest free loans will be repaid with user fees.

The following is a summary of the future annual principal and interest debt service requirements for long-term obligations:

**GOVERNMENTAL ACTIVITIES**

Year Ending	<u>General Obligation</u>		<u>Special Assessments</u>		<u>Ohio Public Works Commission</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,840,000	\$1,239,476	\$ 225,819	\$ 184,402	\$ 86,903	\$ -
2010	1,915,000	1,172,051	225,864	174,782	86,903	-
2011	1,990,000	1,093,686	240,000	164,985	86,903	-
2012	2,070,000	1,008,860	250,000	154,515	86,903	-
2013	2,155,000	919,823	260,000	143,265	83,727	-
2014-2018	9,325,000	3,144,558	1,520,000	509,433	280,624	-
2019-2023	6,875,000	1,014,488	1,060,000	106,760	187,814	-
2024-2028	<u>265,000</u>	<u>11,527</u>	<u>-</u>	<u>-</u>	<u>27,141</u>	<u>-</u>
<b>Total</b>	<u>\$26,435,000</u>	<u>\$9,604,469</u>	<u>\$3,781,683</u>	<u>\$1,438,142</u>	<u>\$926,918</u>	<u>\$ -</u>

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**BUSINESS-TYPE ACTIVITIES**

Year Ending	Ohio Water Development Authority		Ohio Public Works Commission	
	Principal	Interest	Principal	Interest
2009	\$142,736	\$ 38,092	\$ 9,223	\$ -
2010	149,801	31,026	9,223	-
2011	157,218	23,611	9,223	-
2012	165,004	15,826	9,223	-
2013	117,004	8,377	9,223	-
2014-2018	89,576	3,071	46,115	-
2019-2023	-	-	43,668	-
2024-2028	-	-	<u>21,629</u>	-
Total	<u>\$821,339</u>	<u>\$120,003</u>	<u>\$157,527</u>	<u>\$ -</u>

**Change in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amount Due In One Year
Governmental Activities:					
Bonds Payable:					
General Obligations Bonds	\$28,220,000	\$ -	\$(1,785,000)	\$26,435,000	\$1,840,000
Special Assessment Debt With Government Commitment	<u>3,997,459</u>	-	<u>(215,776)</u>	<u>3,781,683</u>	<u>225,819</u>
Total Bonds Payable	32,217,459	-	(2,000,776)	30,216,683	2,065,819
OPWC Loans	1,013,820	-	(86,902)	926,918	86,903
Compensated Absences	<u>14,676,869</u>	<u>8,985,138</u>	<u>(7,194,547)</u>	<u>16,467,460</u>	<u>5,064,479</u>
Governmental Activity- Long Term Liabilities	<u>\$47,908,148</u>	<u>\$8,985,138</u>	<u>\$(9,282,225)</u>	<u>\$47,611,061</u>	<u>\$7,217,201</u>
Business-Type Activities:					
OWDA Loans	\$ 957,344	\$ -	\$(136,005)	\$ 821,339	\$142,736
OPWC Loans	162,422	-	(4,895)	157,527	9,223
Compensated Absences	<u>110,954</u>	<u>49,362</u>	<u>(33,113)</u>	<u>127,203</u>	<u>42,827</u>
Business-Type Activity - Long Term Liabilities	<u>\$1,230,720</u>	<u>\$49,362</u>	<u>\$(174,013)</u>	<u>\$1,106,069</u>	<u>\$194,786</u>

General obligation bonds are direct obligations of the County and will be paid from the general bond retirement debt service fund using property tax revenues. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the County. Compensated absences will be paid from the fund, which the employees' salaries are paid which do

**Lorain County, Ohio**  
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not normally include Q Construction and Debt Service. Delinquent special assessments due the county at December 31, 2008 was \$165,268.

**NOTE 17 - CONDUIT DEBT OBLIGATIONS**

From time to time, the County has issued Healthcare Revenue Bonds to provide financial assistance to health care organizations and Economic Development Bonds for private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. Servicing these debts is the sole obligation of the entities, which received the debt proceeds. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2008, there were nineteen series of Healthcare Revenue Bonds and three Economic Development Bonds outstanding with aggregate principal amounts payable of \$1,417,920,000 and \$18,200,000, respectively.

**NOTE 18 - INTERFUND TRANSACTIONS**

Due To/Due From other funds balances as of December 31, 2008 follow:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Job and Family Services	General Fund	\$ 26,111
Children Services	General Fund	30,041
Children Services	Community Mental Health	15,000
Children Services	Nonmajor Governmental Funds	1,303
Children Services	Enterprise Fund	1,624
Community Mental Health	General Fund	11,835
MRDD	Nonmajor Governmental Funds	1,811
MRDD	Enterprise Fund	3,150
Q Construction	Enterprise Fund	262,825
Q Construction	General Fund	290,000
Nonmajor Governmental Funds	General Fund	731,991
Nonmajor Governmental Funds	Job and Family Services	647,461
Nonmajor Governmental Funds	Nonmajor Governmental Funds	16,809
General Fund	Nonmajor Governmental Funds	11,968
Internal Service Fund	General Fund	45,000
Internal Service Fund	Enterprise Fund	3,637
Enterprise Fund	General Fund	1,000,000
Enterprise Fund	Nonmajor Governmental Funds	1,800
Total – All Funds		<u>\$3,102,366</u>

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Q Construction	\$9,097,387
	Nonmajor Governmental Funds	1,411,752
	Enterprise Fund	747,840
		<u>\$11,256,979</u>

**Lorain County, Ohio**  
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For the Year Ended December 31, 2008

Inter Fund Transfers:

	<b>Transfers in:</b>		
	<b>Nonmajor Governmental</b>	<b>Enterprise</b>	<b>Totals</b>
Transfers Out:			
General Fund	\$ 4,332,205	\$726,463	\$ 5,058,668
MRDD	7,000,000	-	7,000,000
Totals	<u>\$11,332,205</u>	<u>\$726,463</u>	<u>\$12,058,668</u>

All balances in the Due From/Due To schedule resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balance of \$1,411,752 due to the General Fund for advances to Nonmajor Governmental Funds results from cash flow issues in those funds.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payment become due, and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 19 – BUDGETARY BASIS OF ACCOUNTING**

A reconciliation for the major governmental funds at December 31, 2008 from the budget basis to a GAAP basis for excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses follows:

	<b>General Fund</b>	<b>Job and Family Services</b>	<b>Children Services</b>	<b>MRDD</b>	<b>Community Mental Health</b>
Budget Basis	\$(5,565,307)	\$(2,229,625)	\$(1,750,288)	\$(6,106,615)	\$ 8,122
Net Adjustment for Revenue Accruals	(251,598)	1,915,358	271,851	948,189	624,572
Net Adjustment for Expenditure Accruals	780,451	520,398	233,312	299,876	(513,874)
Net Adjustment for Encumbrances	1,316,261	240,715	127,934	1,020,886	4,064
Net Adjustments for Other Financing Sources (Uses) Accruals	<u>(3,748,032)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP Basis	<u>\$(7,468,225)</u>	<u>\$ 446,846</u>	<u>\$(1,117,191)</u>	<u>\$(3,837,664)</u>	<u>\$122,884</u>

**NOTE 20 – TRANSFER FROM PRIMARY GOVERNMENT**

The component units received \$25,000 of operating funds from The Primary Government. These amounts are included under Legislative and Executive miscellaneous allocations to component units in the General Fund.

**NOTE 21 - CONTINGENT LIABILITIES**

**A. Grants**

The County received financial assistance from Federal and State agencies in the forms of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2008.

**B. Litigation**

As of December 31, 2008, the County was a party to various legal proceedings. The ultimate disposition of these proceedings is not presently determinable, but will not, in the opinion of the County, have a material adverse effect on the continued operation of the County.

**NOTE 22 - RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2008 the County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to Murray Ridge Production Center, Inc. A discretely presented component unit of Lorain County, of which the value of these services was estimated to be \$4,582,677 for such contributions.

In 2008 the County subsidized the Lorain County Port Authority \$188,500 in order to conduct a blight study and finance other activities of which \$144,250 was repaid during the year. The Port Authority is a discretely presented component unit of Lorain County, with an outstanding balance owed to the County in the amount of \$171,116 for current and prior years assistance.

**NOTE 23 - CONTRACTUAL COMMITMENTS**

During 2008, the County entered into various contracts for building construction and renovations totaling \$2,050,286. The amount paid on the contracts were \$926,176 with \$34,816 unused as actual costs were less than the contracted amount, leaving an outstanding contractual commitment of \$1,089,294.

**NOTE 24 – GUARANTEE**

In a resolution dated August 15, 2002 the County has guaranteed (by the pledge of the lodging excise tax receipts and all of the non-tax revenue fund of the County) the principle and interest payments due on \$1,245,000 of bonds issued by the Lorain County Port Authority on behalf of the Lorain County Visitors Bureau, Inc. for the purpose of constructing a new Visitor's Center and Bureau Office. The principle will be repaid in various amounts in the years 2003 thru 2023.

On July 27, 2008 the County entered into a reimbursement guaranty agreement between the Lorain County Port Authority and Lorain National Bank for a \$8,000,000 line of credit. This amount is to be drawn on only after the depletion of the County Grant and State Grant Account held by the Port Authority in the amount of \$2,500,000. As of December 31, 2008 there has been no draw down on this line.

**NOTE 25 – SUBSEQUENT EVENT**

On January 22, 2009 the County Commissioners increased the sales tax by one-half of one percent for a continuing period of time, for the purpose of supporting criminal and administrative justice services in Lorain County. The increase is subject to referendum on the November 2009 general election.

On May 13, 2009 the County issued \$5,570,000 Sewer Improvement Bond Anticipation Notes, Series 2009 for the payment of the principle and interest on and to retire Ohio Sewer System Improvement Notes, Series 2008. On May 29, 2009 the

County issued \$2,625,000 Highway Improvement Note, Series 2009 for the payment of Highway Improvement Note due June 2, 2009.

**NOTE 26 - MURRAY RIDGE PRODUCTION CENTER, INC.**

**1. Summary of Significant Accounting Policies**

- A. Equipment - These assets are stated at cost and depreciated on the straight-line and declining-balance methods over the estimated useful lives of the various assets.  
  
Maintenance and repairs are charged against earnings when incurred. Additions and major renewals are capitalized.
- B. Income Taxes - Murray Ridge Production Center, Inc., is a non-profit corporation and is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code.
- C. Donated Services - Donated services of management, direct supervision, rent, etc., have been provided by the Lorain County Board of Mental Retardation/Developmental Disabilities. During the year ended June 30, 2008 the value of these services was estimated to be \$4,582,677.
- D. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Concentrations of Credit Risk**

Financial instruments that potentially subject the organization to credit risk include cash on deposit with four financial institutions amounting to \$201,484 at June 30, 2008, which was insured for \$151,141 by the Federal Deposit Insurance Corporation. The organization had extended unsecured credit to regular customers amounting to \$226,855 at June 30, 2008.

**3. Investments**

Investments at June 30, 2008 consist of the bonds and funds, which are recorded at fair value.

**4. Investment Loss**

Investment loss for the year ended June 30, 2008, consisted of interest income, dividend income, and gains and losses, both realized and unrealized.

**5. Restricted Funds**

During the year ended June 30, 2008, the board restricted a certain amount of previously unrestricted funds for future operating reserves.

**NOTE 27 - LORAIN COUNTY PORT AUTHORITY**

**1. Summary of Significant Accounting Policies**

- A. Reporting Entity – The Lorain County Port Authority (the Authority) was created by the Lorain County Board of Commissioners in 2001 to enhance economic development in Lorain County. The Authority is created in accordance with Section 4582.22 of the Ohio Revised Code.

The Authority is governed by a five-member Board of Directors (the Board) appointed by the Lorain County Board of Commissioners. Each member shall serve for a term of four years, except when a person is appointed to fill a vacancy, which is to be appointed to serve only the unexpired term. Members of the Board are eligible for re-appointment. The Board controls the employment of the Executive Director who is responsible for the day-to-day operations.

The Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "The Reporting Entity". The financial statements include all divisions and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organization other than the Authority itself is included in the financial reporting entity.

As of December 31, 2008, the Authority has a liability to the County in the amount of \$171,116 for past operating advances. Under GASB Statement No. 14, this is considered to be a financial burden on the County; also the County can impose its will on the Authority through the appointment of the members of the Board of Directors. Therefore, the Authority is a component unit of the County whose financial statements are discretely presented in the County's financial statements.

- B. **Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single business-type activity. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Operating revenues and expenses generally result from providing services in connection with principal ongoing operations of the Authority. Operating revenues consist of application fees and administrative fees. Operating expenses include professional services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- C. **Budgetary Process** – Ohio Revised Code Section 4582.39 requires the Authority to prepare a budget annually. This budget includes estimated receipts and appropriations and is prepared on the cash basis of accounting.
- D. **Cash, Cash Equivalents and Investments** – The Ohio Revised Code prescribes allowable deposits and investments. For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair value, which is based on quoted market prices.
- E. **Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those expected.

## **2. Cash, Cash Equivalents and Investments**

The provisions of the Ohio Revised Code govern the investments and deposits of Authority monies. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificate of deposit, savings accounts, money market accounts, the State Treasurer's Asset Reserve (STAR Ohio) investment pool and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days.

**Lorain County, Ohio**  
Notes to Financial Statements  
For the Year Ended December 31, 2008

Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Deposits – At December 31, 2008, the bank balance of the Authority’s deposits was \$22,488. Federal Depository Insurance covered the entire bank balance.

Investments – As of December 31, 2008, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity Less than One Year
First American Government Obligation Fund	\$2,506,300	\$2,506,300

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Accordingly to the Authority’s policy, investments made by the Treasurer must mature within five years from the date of purchase with an average weighted maturity not to exceed two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments had the following ratings by Standard & Poors.

First American Government Obligation Fund	AAAm
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Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk is the possibility of loss attributed to the magnitude of the Authority’s investment in a single issuer. One hundred percent of the Authority’s investments are in First American Government Obligation Fund. The Authority’s policy places no limit on the amount that may be invested in any one issuer.

### 3. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injury and natural disasters. Through Lorain County, the Authority is covered under the County Risk Sharing Authority, Inc. (CORSA). CORSA is a risk sharing pool made up of thirty-nine counties in Ohio and was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group of primary and excess insurance/self-insurance and risk management programs. The Authority has not had any claims that exceeded insurance coverage.

A surety bond of \$25,000 through Ohio Casualty Insurance Group covers the Board Secretary.

### 4. Bond Fund Program

The Authority has established a Bond Fund Program to provide long-term, fixed interest rate financing for qualified industrial, commercial and public projects. The primary purpose of the Bond Fund Program is to further economic development efforts and investment in Lorain County through the retention and creation of quality, private sector jobs.

The State of Ohio Department of Development (ODOD) awarded the Authority a grant of \$1,000,000, received in April 2003, which was deposited into the Bond Fund Program Reserve account. The conditional grant from ODOD is for 20 years, with the interest earned on the fund remitted back to ODOD through December 2012. Beginning 2013 and continuing through December 2023, 50% of the interest earned is required to be remitted back to ODOD. On December 31, 2001, the Authority received a \$1,500,000 grant from Lorain County for the Bond Fund Program, which was also deposited into the Bond Fund Program Reserve account.

**Lorain County, Ohio**  
Notes to Financial Statements  
For the Year Ended December 31, 2008

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Under the Program, debt service requirements on each bond issue are to be secured by a pledge of amounts to be received under lease or loan agreements with borrowers who utilize the financial facilities. In addition, all borrowers are required to provide a letter of credit as additional security for the related bonds. Amounts in the Bond Fund Program Reserve may be used for debt service in the event the borrower is unable to make the required payments under the lease.

Amounts held in the Authority's Bond Fund Program Reserve was \$2,506,300 at December 31, 2008 and are reflected in the Statement of Net Assets.

**5. Capital Assets**

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance 01/01/08	Additions	Deletions	Balance 12/31/08
Capital Assets, Being Depreciated:				
Buildings	\$ -	\$1,500,000	\$ -	\$1,500,000

The building was donated on December 30, 2008. Depreciation will be calculated beginning January 1, 2009

**6. Related Party Transactions**

The Authority utilizes certain Lorain County employees without reimbursement and the current acting Director of the Authority is also a member of the Board.

**7. Letter of Credit**

On June 27, 2008, the Authority entered into an agreement to increase their Letter of Credit with Lorain National Bank from \$3 million to \$8 million. The purpose of the Letter of Credit is to supplement the reserves available in the Program Reserve Fund and enable the Authority to issue additional series of bonds under the indenture to finance costs of projects and promote the creation and preservation of jobs and employment opportunities within the County. As of December 31, 2008, the Authority has not used the Letter of Credit.

**8. Conduit Debt**

The Authority has issued revenue bonds and certificates of participation to provide financial assistance to governmental and non-profit entities for the acquisition and construction of facilities deemed to be in the public interest. The Authority is not obligated in any manner for repayment of the bonds or certificates of participation. Accordingly, a liability is not reported in the accompanying financial statements.

As of December 31, 2008 there were revenue bonds outstanding with an original issue amount of \$12 million, all of which was outstanding as of December 31, 2008 and certificates of participation outstanding with an original issue amount of \$28,835,000 of which \$26,210,000 remained outstanding at December 31, 2008.

**9. Change in Accounting Principles**

The GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which provide guidance on how to calculate and report costs and obligations associated with pollution cleanup efforts. The implementation of this statement has made no impact on the Authority's financial reporting or results of financial position for 2008.

The GASB issued Statement No. 50, Pension Disclosures an amendment of GASB Statements No. 25 & No. 27, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The implementation of this statement has made no impact on the Authority's financial reporting or results of financial position for 2008.

COMBINING FINANCIAL  
STATEMENTS AND SCHEDULES