



Dave Yost • Auditor of State

**LAKE COUNTY
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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Developmental Disabilities, and Alcohol Drug Addiction and Mental Health Service Board (ADAMHS) Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2011, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

September 21, 2011

Lake County, Ohio

*Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited*

The discussion and analysis of Lake County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

In total, net assets increased \$10,984,331. Net assets of governmental activities increased \$4,938,557, which represents a 2.3 percent increase from 2009. Net assets of business-type activities increased \$6,045,774 or 3.4 percent from 2009.

General revenues accounted for \$80,252,353 in revenue or 36.1 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$142,123,565 or 63.9 percent of total revenues of \$222,375,918.

Total assets of governmental activities increased by \$11,595,407, while total assets of business-type activities increased by \$1,922,876.

The County had \$176,555,859 in expenses related to governmental activities; only \$101,739,921 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$79,704,495 were sufficient to offset the remainder of the total expenses, thus resulting in the net asset increase disclosed above.

The total of the County's long-term and short-term debt decreased by \$6,651,944 during 2010.

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

Lake County, Ohio

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

Reporting the County as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the County to provide services to our citizens, the view of the County as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the County's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, non-financial information such as changes in the County's tax base and the condition of County capital assets will also need to be evaluated.

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

- **Governmental Activities** – Most of the County's programs and services are reported here including general government, judicial and public safety, public works, human services, health and community and economic development and all departments with the exception of our Water, Wastewater and Solid Waste Districts.
- **Business-Type Activities** – These services have a charge based upon the amount of usage. The County charges fees to recoup the cost of the entire operation of its Water, Wastewater and Solid Waste Districts as well as all capital expenses associated with these facilities.

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- **Component Units** – The County includes financial data of Deepwood Industries, Inc. (the Workshop) and the Lake County Port Authority (the Port Authority). The Workshop is a legally separate, non-profit organization served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Lake County Developmental Disabilities Board, provides a comprehensive program of services, including employment for developmentally disabled citizens. The Port Authority was created during 2007 for the purpose of promoting projects that will provide for the creation of jobs and employment opportunities and improve the economic welfare of the people residing in Lake County. The Port Authority has a seven member Board of Directors. The component units are separate and may buy, sell, lease and mortgage property in their own name and can sue or be sued in their own name.

Reporting on the County's Most Significant Funds

Fund Financial Statements

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

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

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

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

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reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that of the proprietary funds. The County's fiduciary funds are agency funds and the fiduciary fund financial statement can be found on page 32 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-82 of this report.

Lake County, Ohio

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

The following table provides a summary of the County's net assets for 2010 compared to 2009:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$ 169,475,192	\$ 162,294,364	\$ 44,391,214	\$ 42,834,005	\$ 213,866,406	\$ 205,128,369
Capital Assets	<u>148,444,302</u>	<u>144,029,723</u>	<u>195,405,807</u>	<u>195,040,140</u>	<u>343,850,109</u>	<u>339,069,863</u>
Total Assets	<u>317,919,494</u>	<u>306,324,087</u>	<u>239,797,021</u>	<u>237,874,145</u>	<u>557,716,515</u>	<u>544,198,232</u>
Liabilities						
Long Term Liabilities	38,028,245	40,356,303	43,429,532	46,065,778	81,457,777	86,422,081
Other Liabilities	<u>62,201,213</u>	<u>53,216,305</u>	<u>14,149,853</u>	<u>15,636,505</u>	<u>76,351,066</u>	<u>68,852,810</u>
Total Liabilities	<u>100,229,458</u>	<u>93,572,608</u>	<u>57,579,385</u>	<u>61,702,283</u>	<u>157,808,843</u>	<u>155,274,891</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	127,745,311	121,421,050	163,335,363	158,162,644	291,080,674	279,583,694
Restricted for:						
Debt Service	977,635	1,718,600			977,635	1,718,600
Capital Projects	5,085,815	5,691,748			5,085,815	5,691,748
Other Purposes	64,288,978	59,746,523			64,288,978	59,746,523
Unrestricted	<u>19,592,297</u>	<u>24,173,558</u>	<u>18,882,273</u>	<u>18,009,218</u>	<u>38,474,570</u>	<u>42,182,776</u>
Total Net Assets	<u>\$ 217,690,036</u>	<u>\$ 212,751,479</u>	<u>\$ 182,217,636</u>	<u>\$ 176,171,862</u>	<u>\$ 399,907,672</u>	<u>\$ 388,923,341</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$399,907,672 (\$217,690,036 in governmental activities and \$182,217,636 in business type activities) as of December 31, 2010.

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A large portion of the County's net assets \$291,080,674 (72.8 percent) reflect its investment in capital assets (e.g., land, building, infrastructure and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

An additional portion of net assets, \$70,352,428 (17.6 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of \$38,474,570 (9.6 percent), of unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2010, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities. The County also reported positive balances in all categories of net assets in 2009.

Total assets increased \$13,518,283 which represented a 2.5 percent increase over 2009. Total assets of governmental activities increased \$11.6 million primarily due to a \$9.7 million increase in taxes receivable which was due, in part, to a replacement tax levy for the DD Board which was passed in 2010, a \$4.4 million increase in capital assets and a \$1.7 million increase in due from other governments. These increases offset a \$3.3 million loss in equity in pooled cash and cash equivalents. Total assets of business-type activities increased \$1.9 million primarily due to a \$0.8 million increase in equity in pooled cash and cash equivalents, \$0.8 million increase in receivables and \$0.4 million increase in capital assets.

Table 2 shows the changes in net assets for the year ended December 31, 2010.

Lake County, Ohio

Management's Discussion and Analysis For the Year Ended December 31, 2010 Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	\$20,033,464	\$19,975,198	\$38,508,039	\$36,751,913	\$58,541,503	\$56,727,111
Operating Grants and Contributions	70,340,808	69,676,714	0	0	70,340,808	69,676,714
Capital Grant and Contributions	11,365,649	6,926,501	1,875,605	2,748,363	13,241,254	9,674,864
<i>Total Program Revenues</i>	<u>101,739,921</u>	<u>96,578,413</u>	<u>40,383,644</u>	<u>39,500,276</u>	<u>142,123,565</u>	<u>136,078,689</u>
General Revenues:						
Property Taxes	47,326,051	48,272,763	0	0	47,326,051	48,272,763
Sales Tax	14,692,338	14,221,564	0	0	14,692,338	14,221,564
Conveyance Tax	1,997,375	2,143,785	0	0	1,997,375	2,143,785
Lodging Tax	662,392	623,021	0	0	662,392	623,021
Grants and Entitlements not Restricted	3,883,648	3,582,873	0	0	3,883,648	3,582,873
Interest	1,881,176	2,580,845	1,449	2,060	1,882,625	2,582,905
Miscellaneous	9,261,515	8,222,411	546,409	441,890	9,807,924	8,664,301
<i>Total General Revenues</i>	<u>79,704,495</u>	<u>79,647,262</u>	<u>547,858</u>	<u>443,950</u>	<u>80,252,353</u>	<u>80,091,212</u>
<i>Total Revenues</i>	<u>181,444,416</u>	<u>176,225,675</u>	<u>40,931,502</u>	<u>39,944,226</u>	<u>222,375,918</u>	<u>216,169,901</u>
Program Expenses						
General Government	18,863,482	18,704,468	0	0	18,863,482	18,704,468
Judicial and Public Safety	44,860,027	45,919,970	0	0	44,860,027	45,919,970
Public Works	12,112,329	10,802,999	0	0	12,112,329	10,802,999
Human Services	71,236,914	80,723,956	0	0	71,236,914	80,723,956
Health	24,273,237	24,364,478	0	0	24,273,237	24,364,478
Community & Econ. Development	3,844,525	2,347,860	0	0	3,844,525	2,347,860
Interest and Fiscal Charges	1,365,345	1,485,762	0	0	1,365,345	1,485,762
Water District	0	0	12,761,089	13,268,896	12,761,089	13,268,896
Wastewater District	0	0	15,397,365	16,253,771	15,397,365	16,253,771
Solid Waste District	0	0	6,677,274	6,689,078	6,677,274	6,689,078
<i>Total Program Expenses</i>	<u>176,555,859</u>	<u>184,349,493</u>	<u>34,835,728</u>	<u>36,211,745</u>	<u>211,391,587</u>	<u>220,561,238</u>
Increase (Decrease) in Net Assets Before Transfers	4,888,557	(8,123,818)	6,095,774	3,732,481	10,984,331	(4,391,337)
Transfers	50,000	50,000	(50,000)	(50,000)	0	0
Change in Net Assets	4,938,557	(8,073,818)	6,045,774	3,682,481	10,984,331	(4,391,337)
Net Assets - January 1	212,751,479	220,825,297	176,171,862	172,489,381	388,923,341	393,314,678
Net Assets - December 31	<u>\$217,690,036</u>	<u>\$212,751,479</u>	<u>\$182,217,636</u>	<u>\$176,171,862</u>	<u>\$399,907,672</u>	<u>\$388,923,341</u>

Lake County, Ohio

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Total governmental activities expenses decreased from \$184,349,493 in 2009 to \$176,555,859 in 2010. Of the total \$177 million in governmental activities expenses, \$20,033,464 was covered by direct charges to users of the services. A significant portion of those charges are for fees charged for the collection of property taxes throughout the County, fines and forfeitures related to judicial activity, licenses and permits associated with building inspectors, recording fees for deeds and title fees. Judicial and public safety charges for services include fees for prisoner housing and fines and forfeitures related to judicial activity. Human service charges for services include those provided to clients of the DD Board and the Childrens Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions increased slightly from \$69,676,714 in 2009 to \$70,340,808 in 2010. Property taxes decreased by 2.0 percent as compared to 2009 due to reduced assessed real estate valuations resulting from the County's latest countywide reappraisal which resulted in residential/agricultural valuations decreasing approximately ten percent countywide. Real estate conveyance taxes continued decreasing, by 6.8 percent, as they have in the last few years due to the continued nationwide slump in the real estate sales market. The most significant decrease, percentage-wise, in revenue was in interest revenue which decreased by \$0.7 million, a 27.1 percent decrease. This reflects the continued nationwide decrease in investment interest rates during 2010 as compared to several years ago. Charges for services to users in the business-type activities amounted to \$38,508,039 and an additional \$1,875,605 was received during the year for grants and contributions for capital expenses. These two revenue sources more than offset the \$34,835,728 in operating expenses for business-type activities.

The human services program is the largest program and accounted for \$71,236,914 of expenses for governmental activities, or 40.3 percent of that total. The activity of the County's DD Board comprises more than half of the expenditure total for this program. Expenses in the human services program decreased by \$9.5 million, which was primarily due to the State of Ohio taking over the payment of daycare providers during 2010. This function was previously been handled by the Job and Family Services Department in prior years. In addition, expenditures for the DD Board were reduced in 2010 as compared to 2009 because the Board did not have to pay their local share on waivers during the year. The judicial and public safety program and the general government program account for the largest number of departments and between these two functions, expenditures decreased \$0.9 million in 2010 as compared to 2009, primarily due to budgetary cuts within the County General Fund due to reductions in revenue sources. The public works program accounts for the maintenance and repairs of County roads and bridges. The majority of the health program is the activity of the ADAMHS Board as well as the operations of the Dog Warden. The community and economic development program primarily accounts for federal and state grants related to housing rehabilitation, business development and other community projects. This program realized increase in expenses of \$1.5 million due to an increase in federal grants for housing community reinvestment. Interest and fiscal charges on debt amounted to \$1.4 million in 2010, which was 8.1 percent decrease from 2009.

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Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$84,935,535. \$76,208,252 of this total amount constitutes unreserved fund balance, which is available for appropriation at the County's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is reserved to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10,684,850 while the total fund balance was \$14,093,707. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 22.1 percent of total General Fund expenditures, while total fund balance represents 29.1 percent of that same amount.

The fund balance of the County's General Fund decreased by \$5.2 million during the current fiscal year. Overall General Fund revenues decreased in 2010 by \$1.7 million as compared to the previous year. As previously disclosed, the primary reasons for this decrease are the decreases in investment earnings, property taxes and conveyance taxes. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$4.7 million during 2010.

With respect to the fund balances of the other major governmental funds, the DD Board Fund increased by \$1.9 million primarily due to a decrease in expenses due to the agency not having to pay local match money on waivers, as previously stated, and also a reduction in hospitalization costs. The fund balance of the ADAMHS Board Fund increased by \$2.3 million primarily because of additional federal Medicaid stimulus funding received in 2010, as well as additional one-time funding from the State. The fund balance of the Special Assessment Debt Service Fund decreased slightly, from \$2,107,110 in 2009 to \$2,018,785 in 2010.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Water Fund had unrestricted net assets at the end of the year of \$12,050,101, which was a 40.9 percent increase

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from 2009. The increase was primarily due to an increase in operating revenues and decreases in loans and bonds payable. Unrestricted net assets for the Wastewater Fund amounted to \$14,417,556 which was a decrease of \$2.0 million as compared to 2009. The decrease was primarily due to an increase in operating expenses. The Solid Waste Fund's unrestricted net assets amounted to (\$7,585,384) which is due to the recognition of a long-term liability of the closure and post-closure costs of the County's landfill, as required by the Ohio Environmental Protection Agency. The County will reduce this deficit on an annual basis as it reduces the long-term liability for the landfill closure and post-closure costs over the remaining life of the landfill. Operating revenues for all proprietary funds increased from \$37,171,666 to \$39,039,227, or by 5.0 percent, in 2010 as compared to 2009 while operating expenses decreased by \$1,062,530 or 3.1 percent. This is primarily due to an increase in water sales due to slight increases in usage and an increase in collections at the County landfill.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. Final budgeted revenues increased by \$930,150 as compared to the original budget for a total increase of 2.0 percent, primarily due to increases in the estimates for property taxes, sales tax and intergovernmental revenue. Actual revenues received were \$358,567 higher, or 0.8 percent, than the final certification. Final budgeted expenditures increased by \$342,954 from the original budget. However, actual expenditures were \$1,372,950 less than final budgeted appropriations, which amounted to a 2.7 percent reduction from the final expenditure budget. In fact, actual expenditures were 2.1 percent less than the original budgeted amounts. The decrease in actual expenditures as compared to the final budget amounts and to the original budget amounts, as well as a 2.6 percent decrease in expenditures as compared to 2009, is primarily due to budgetary cuts during 2010 including employee layoffs and furloughs.

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Capital Assets and Debt Administration

Capital Assets:

Table 3 shows 2010 values compared to 2009.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,522,603	\$ 3,522,603	\$ 4,347,646	\$ 4,491,646	\$ 7,870,249	\$ 8,014,249
Construction in Progress	33,585,904	29,665,973	21,903,914	18,264,555	55,489,818	47,930,528
Land Improvements	172,825	206,927	157,720	159,651	330,545	366,578
Building & Other Structures	42,782,115	44,005,174			42,782,115	44,005,174
Furniture and Equipment	7,073,348	8,488,209	1,544,787	1,686,892	8,618,135	10,175,101
Infrastructure	61,307,507	58,140,837			61,307,507	58,140,837
Utility Plant in Service			167,451,740	170,437,396	167,451,740	170,437,396
Total Capital Assets	\$ 148,444,302	\$ 144,029,723	\$ 195,405,807	\$ 195,040,140	\$ 343,850,109	\$ 339,069,863

The County's investment in capital assets for its governmental and business type activities as of December 31, 2010, amount to \$291,080,674 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, equipment and machinery, roads, highways, bridges, utility service lines and related operating facilities and the County landfill. Utility Plant in Service in the business-type activities includes all utility buildings and service lines associated with such operations.

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

- Total additions to construction-in-progress for governmental activities amounted to \$5.0 million in 2010.
- The purchase of \$130,000 in vehicles and equipment for the County Engineers department for use in maintenance and repairs of the County's roads and bridges.
- The completion of the Job and Family Services Building roof replacement totaling \$1.0 million.
- The purchase of \$112,000 in miscellaneous building improvements and equipment for the DD Board.

Lake County, Ohio

*Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited*

- The completion of \$6.6 million in roads and bridges infrastructure improvements.
- The completion of \$4.4 million in infrastructure projects with an additional \$21.9 million remaining in construction in progress for business-type activities.
- The deletions of \$11.3 million in obsolescent radio equipment within governmental activities.

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

Debt

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

Table 4
Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 16,425,000	\$ 18,992,000	\$ 1,201,300	\$ 1,947,150	\$ 17,626,300	\$ 20,939,150
Special Assessment Bonds	8,243,700	8,855,850	0	0	8,243,700	8,855,850
OWDA Loans	0	0	21,615,857	24,238,884	21,615,857	24,238,884
Other Long-term Liabilities	896,542	127,500	519,860	405,140	1,416,402	532,640
Capital Leases	17,389	0	0	0	17,389	0
Unamortized Premium on Debt	548,585	583,330	0	12,895	548,585	596,225
Landfill Closure & Postclosure	0	0	17,949,184	17,251,468	17,949,184	17,251,468
Compensated Absences	12,445,614	12,380,953	2,143,331	2,223,136	14,588,945	14,604,089
	<u>\$ 38,576,830</u>	<u>\$ 40,939,633</u>	<u>\$ 43,429,532</u>	<u>\$ 46,078,673</u>	<u>\$ 82,006,362</u>	<u>\$ 87,018,306</u>

Of the debt outstanding at December 31, 2010, the general obligation bonds are backed by the full faith and credit of the County and the special assessment bonds are debt that the County is liable for in the event of default by the property owner subject to the assessment. The Ohio Water Development Authority Loans (OWDA) are for water and wastewater utility improvements. The Other Long-term Liabilities are for water and wastewater utility improvements and road improvements. Capital leases are for the acquisition of capital assets which are paid for over the lease period. Compensated absences are unpaid leave benefits accumulated by County employees and are payable upon termination of employment, subject to certain restrictions.

Interest and fiscal charges amounted to 0.8 percent of expenses for governmental activities.

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The County's governmental long-term general obligations decreased by \$2,362,803, or 5.8 percent, in 2010. The County issued \$806,009 in Ohio Public Works Commission Loans during the year to finance certain road repairs. The long-term debt for business-type activities decreased by \$2,649,141, or 5.8 percent, during 2010. The County issued \$142,683 in Ohio Public Works Commission Loans during 2010 for business-type activities and an additional \$0.7 million debt was recorded for the landfill closure and post-closure costs. The County has \$2.9 million in short-term notes outstanding as of December 31, 2010 for the purchase and renovation of a building to house the County's vehicle maintenance operations and \$8.7 million in short-term notes for various utility improvement projects for business-type activities.

The County maintains an "Aa1" credit rating from Moody's Investor Services, Inc. The overall debt margin at December 31, 2010 was \$137.4 million with an unvoted total debt margin of \$43.8 million. Additional information on the County's long-term debt can be found in Note H of this report.

Economic Factors and Next Year's Budgets and Rates

As previously stated, the unreserved fund balance in the General Fund decreased in 2010 as a direct result of the prolonged economic recession which the whole nation has been experiencing for several years. Due to this recent economic climate, the County's General Fund balance has steadily decreased since 2007. Unprecedented reductions, all occurring for several years, in sales taxes, real estate conveyance taxes and interest income, and real estate taxes for the General Fund, have all contributed to some strenuous budgetary times. Due to this reduction in revenue resulting from the stagnation in the national economy and increases in federal and state funding cutbacks in recent years, the Commissioners and the department heads have worked diligently in reducing expenses. Over the last several years, the Commissioners have instituted a hiring freeze, have frozen wages for non-bargaining unit employees and have instituted "across-the-board" General Fund budget cuts including layoffs and furloughs of some employees. The Commissioners are reviewing all "non-statutorily" mandated expenditure functions to determine what can be further reduced and/or eliminated, and they are stringently monitoring all expenses and are curtailing travel and equipment purchases unless absolutely needed.

The real property tax revenues of the General Fund are derived entirely from 2.1 mills of inside millage (unvoted millage). While personal property tax losses have already occurred in previous years as the result of the State legislature eliminating personal property tax on businesses, the State of Ohio is currently reimbursing political subdivisions for those losses. However, the State of Ohio, in their final budget, is eliminating those reimbursements after 2011 for the General Fund which will result in significant revenue losses for the General Fund and the other funds receiving property tax revenue.

The County's portion of federal and state based revenue has also been affected by the economic conditions. The State Ohio has experienced significant revenue losses and is facing a multi-

Lake County, Ohio

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For the Year Ended December 31, 2010
Unaudited*

billion dollar deficit in its budget and, as a result, is instituting cutbacks to state agencies and in their allocations to county and other local governments. These reduced federal and state funding/reimbursements for various programs have, in some cases, resulted in additional pressure on the General Fund balance, as well as several other County funds.

As previously stated, the County's returns on investments continued to suffer in 2010, as has been the case since 2007, due to the extremely low investment interest rates that have affected investors nationwide. Interest on investments, which peaked at \$9.0 million in 2006, dropped down to \$1.9 million in 2010. While the County has suffered from significantly reduced interest earnings on investments in recent years as compared to the previous decade, the County Commissioners have taken advantage of the market in regards to the County's recent debt issuances. The low market rates have allowed the Commissioners to obtain very low interest rates on both short-term and long-term borrowing to finance capital improvements to buildings and infrastructure.

Inflationary trends for the County fared favorably to national and state indices, but are still not very encouraging due to the state of the national economy. The unemployment rate for the County at the end of 2010 was 7.6 percent, which decreased from 7.9 percent a year ago. The County's rate compares favorably to the State average which was 9.6 percent and the Federal rate which was 9.4 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio, including some surrounding counties who are facing significant financial hardships and budget reductions. The key factor is the County's large retail market and its diversified commercial and industrial economic base. Residential new construction continued to drop significantly in 2010, as it has in the last few years, which again is due to the national economic condition and the poor real estate market. The County is fortunate to have a fairly large amount of undeveloped land in the eastern and southern portions of the County which can hopefully house future new development once the economy improves.

Requests for Information

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

LAKE COUNTY, OHIO

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	WORKSHOP	PORT AUTHORITY
ASSETS:					
Equity in pooled cash and cash equivalents	\$ 78,077,531	\$ 33,509,638	\$ 111,587,169	\$ 565,725	\$ 280,775
Receivables:					
Taxes	56,415,057		56,415,057		
Accounts	487,455	6,231,608	6,719,063	62,463	139,446
Unbilled accounts		4,189,570	4,189,570		
Other receivables			0		28,196
Special assessments	12,340,355		12,340,355		
Accrued interest	499,426		499,426		
Due from other governments	18,605,253		18,605,253		
Materials and supplies inventory	1,209,198	1,561,326	2,770,524	1,582	
Internal balances	1,173,618	(1,173,618)	0		
Loans receivable	96,293		96,293		
Prepaid items	270,398	68,450	338,848	13,180	
Unamortized bond issuance costs	212,083	4,240	216,323		
Unamortized loss on refunded bonds	88,525		88,525		
Nondepreciable capital assets	37,108,507	26,251,560	63,360,067		
Depreciable capital assets, net	<u>111,335,795</u>	<u>169,154,247</u>	<u>280,490,042</u>	<u>12,889</u>	
TOTAL ASSETS	\$ <u>317,919,494</u>	\$ <u>239,797,021</u>	\$ <u>557,716,515</u>	\$ <u>655,839</u>	\$ <u>448,417</u>
LIABILITIES					
Accounts payable	\$ 4,935,506	\$ 726,856	\$ 5,662,362	\$ 4,104	\$ 57,819
Accrued wages and benefits	2,952,926	531,578	3,484,504	29,582	26,157
Unearned revenue	49,233,230	2,238,642	51,471,872		
Accrued interest payable	107,271	63,936	171,207		
Due to other governments	1,310,914	1,467,626	2,778,540	1,056	
Claims payable	212,781		212,781		
Customer deposits		387,788	387,788		
Unamortized premium on debt issue	548,585		548,585		
Notes payable	2,900,000	8,733,427	11,633,427		
Long-term liabilities					
Due within one year	3,028,485	2,855,214	5,883,699		
Due in more than one year	<u>34,999,760</u>	<u>40,574,318</u>	<u>75,574,078</u>		
TOTAL LIABILITIES	<u>100,229,458</u>	<u>57,579,385</u>	<u>157,808,843</u>	<u>34,742</u>	<u>83,976</u>
NET ASSETS					
Invested in capital assets, net of related debt	127,745,311	163,335,363	291,080,674	12,889	
Restricted for:					
Public assistance/human services	23,082,198		23,082,198		
Roads and bridges	13,276,863		13,276,863		
Health programs	8,161,030		8,161,030		
Judicial/public safety grants/programs	15,836,171		15,836,171		
Economic development grants	447,080		447,080		
Debt service	977,635		977,635		
Capital projects	5,085,815		5,085,815		
Other purposes	3,485,636		3,485,636	9,911	39,009
Unrestricted	<u>19,592,297</u>	<u>18,882,273</u>	<u>38,474,570</u>	<u>598,297</u>	<u>325,432</u>
TOTAL NET ASSETS	\$ <u>217,690,036</u>	\$ <u>182,217,636</u>	\$ <u>399,907,672</u>	\$ <u>621,097</u>	\$ <u>364,441</u>

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

LAKE COUNTY, OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

PROGRAM REVENUES

	EXPENSES	CHARGES FOR SERVICES AND OPERATING ASSESSMENTS	OPERATING GRANTS CONTRIBUTIONS AND INTEREST	CAPITAL GRANTS AND CONTRIBUTIONS
<i>PRIMARY GOVERNMENT</i>				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 18,863,482	\$ 7,558,024	\$ 1,864,518	\$ 7,251
Judicial and public safety	44,860,027	6,882,074	3,060,271	5,959,432
Public works	12,112,329	3,455,745	5,659,043	5,098,966
Human services	71,236,914	1,556,324	40,407,247	
Health	24,273,237	581,297	16,695,352	
Community and economic development	3,844,525		2,654,377	300,000
Interest and fiscal charges	1,365,345			
<i>Total Governmental Activities</i>	<u>176,555,859</u>	<u>20,033,464</u>	<u>70,340,808</u>	<u>11,365,649</u>
BUSINESS-TYPE ACTIVITIES:				
Water	12,761,089	17,487,735		782,181
Wastewater	15,397,365	15,466,601		1,093,424
Solid Waste	6,677,274	5,553,703		
<i>Total Business-Type Activities</i>	<u>34,835,728</u>	<u>38,508,039</u>	<u>0</u>	<u>1,875,605</u>
<i>Total Primary Government</i>	<u>\$ 211,391,587</u>	<u>\$ 58,541,503</u>	<u>\$ 70,340,808</u>	<u>\$ 13,241,254</u>
COMPONENT UNITS				
Workshop	\$ <u>552,005</u>	\$ <u>480,639</u>	\$ <u>75,221</u>	\$ <u>0</u>
Port Authority	\$ <u>625,140</u>	\$ <u>159,174</u>	\$ <u>394,178</u>	\$ <u></u>

General Revenues

Property Taxes Levied For:

- General Purposes
- Developmental Disabilities
- Mental Health
- Childrens Services
- Narcotics Agency
- Forensic Crime Laboratory
- Senior Citizens Services

Sales Tax Levied For General Purposes

Conveyance Tax Levied For General Purposes

Lodging Tax Levied For Specific Purposes

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	WORKSHOP	PORT AUTHORITY
\$ (9,433,689)	\$	\$ (9,433,689)	\$	\$
(28,958,250)		(28,958,250)		
2,101,425		2,101,425		
(29,273,343)		(29,273,343)		
(6,996,588)		(6,996,588)		
(890,148)		(890,148)		
(1,365,345)		(1,365,345)		
<u>(74,815,938)</u>	<u>0</u>	<u>(74,815,938)</u>	<u>0</u>	<u>0</u>
	5,508,827	5,508,827		
	1,162,660	1,162,660		
	<u>(1,123,571)</u>	<u>(1,123,571)</u>		
<u>0</u>	<u>5,547,916</u>	<u>5,547,916</u>	<u>0</u>	<u>0</u>
<u>(74,815,938)</u>	<u>5,547,916</u>	<u>(69,268,022)</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,855</u>	
<u>0</u>	<u>0</u>	<u>0</u>		<u>(71,788)</u>
11,871,168		11,871,168		
18,811,846		18,811,846		
8,912,693		8,912,693		
3,075,150		3,075,150		
1,083,708		1,083,708		
1,322,659		1,322,659		
2,248,827		2,248,827		
14,692,338		14,692,338		
1,997,375		1,997,375		
662,392		662,392		
3,883,648		3,883,648		
1,881,176	1,449	1,882,625	18,834	
9,261,515	546,409	9,807,924		
79,704,495	547,858	80,252,353	18,834	0
<u>50,000</u>	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
79,754,495	497,858	80,252,353	18,834	0
4,938,557	6,045,774	10,984,331	22,689	(71,788)
<u>212,751,479</u>	<u>176,171,862</u>	<u>388,923,341</u>	<u>598,408</u>	<u>436,229</u>
\$ <u>217,690,036</u>	\$ <u>182,217,636</u>	\$ <u>399,907,672</u>	\$ <u>621,097</u>	\$ <u>364,441</u>

LAKE COUNTY, OHIO

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2010

	GENERAL FUND	DEVELOP- MENTAL DISABILITIES BOARD	ADAMHS BOARD	SPECIAL ASSESSMENT DEBT SERVICE	OTHER GOVERNMENTAL FUNDS
ASSETS:					
Equity in pooled cash and cash equivalents	\$ 11,508,637	\$ 11,063,153	\$ 5,251,367	\$ 1,636,555	\$ 47,305,660
Receivables:					
Taxes	12,231,242	27,113,289	9,186,007		7,884,519
Accounts	171,170	41,549	30,292		244,165
Special assessments				10,290,004	2,050,351
Accrued interest	497,855				1,571
Due from other funds	1,008,970				341,867
Due from other governments	3,888,422	2,063,045	4,356,175		8,291,659
Materials and supplies inventory					1,156,861
Interfund receivable	227,676				330,000
Loans receivable					96,293
Prepaid items	200,688	30,280	7,951		28,925
TOTAL ASSETS	\$ 29,734,660	\$ 40,311,316	\$ 18,831,792	\$ 11,926,559	\$ 67,731,871
LIABILITIES					
Accounts payable	\$ 631,340	\$ 538,837	\$ 1,773,650		\$ 1,834,445
Accrued wages and benefits	1,109,118	985,331	18,084		820,213
Deferred revenue	13,272,891	27,113,289	9,186,007	9,907,774	11,365,780
Due to other funds	126,708	10,785	229		153,960
Due to other governments	500,896	434,102	19,082		340,466
Interfund payable					557,676
Notes payable					2,900,000
TOTAL LIABILITIES	15,640,953	29,082,344	10,997,052	9,907,774	17,972,540
FUND BALANCES					
Reserved for encumbrances	138,696	695,526	375		1,340,271
Reserved for inventory					1,156,861
Reserved for prepaid expenditures	140,688	30,280	7,951		28,925
Reserved for debt service				2,018,785	
Reserved for central communications	2,514,956				
Reserved for loans					96,293
Reserved for interfund receivables	227,676				330,000
Unreserved, Designated for claimants	386,841				
Unreserved, Undesignated, Reported in:					
General Fund	10,684,850				
Special Revenue Funds		10,503,166	7,826,414		42,218,333
Capital Project Funds					4,588,648
TOTAL FUND BALANCES	14,093,707	11,228,972	7,834,740	2,018,785	49,759,331
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,734,660	\$ 40,311,316	\$ 18,831,792	\$ 11,926,559	\$ 67,731,871

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

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2010*

TOTAL GOVERNMENTAL FUNDS																																
	Total Governmental Fund Balances	\$ 84,935,535																														
<p>\$ 76,765,372</p> <p>56,415,057</p> <p>487,176</p> <p>12,340,355</p> <p>499,426</p> <p>1,350,837</p> <p>18,599,301</p> <p>1,156,861</p> <p>557,676</p> <p>96,293</p> <p>267,844</p> <hr style="width: 100%;"/> <p>\$ <u>168,536,198</u></p>	<p><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></p> <p>Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. 148,444,302</p> <p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Special Assessments</td> <td style="text-align: right;">10,290,004</td> </tr> <tr> <td style="padding-left: 20px;">Property Taxes</td> <td style="text-align: right;">4,393,563</td> </tr> <tr> <td style="padding-left: 20px;">Intergovernmental</td> <td style="text-align: right;">5,367,010</td> </tr> <tr> <td style="padding-left: 20px;">Sales Tax</td> <td style="text-align: right;"><u>1,561,934</u></td> </tr> </table> <p style="text-align: right;">Total 21,612,511</p> <p>Internal service funds are used by management to charge the costs of materials, supplies, mailroom services, vehicle maintenance and repair services and insurances to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Net Assets</td> <td style="text-align: right;">921,787</td> </tr> <tr> <td style="padding-left: 20px;">Capital Assets</td> <td style="text-align: right;">(34,450)</td> </tr> <tr> <td style="padding-left: 20px;">Compensated Absences</td> <td style="text-align: right;"><u>193,844</u></td> </tr> </table> <p style="text-align: right;">Total 1,081,181</p> <p>In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (107,271)</p> <p>Certain debt charges reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Bond Issuance Costs</td> <td style="text-align: right;">212,083</td> </tr> <tr> <td style="padding-left: 20px;">Unamortized Loss On Refunded Bonds</td> <td style="text-align: right;"><u>88,525</u></td> </tr> </table> <p style="text-align: right;">Total 300,608</p> <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">General Obligation Bonds</td> <td style="text-align: right;">(16,425,000)</td> </tr> <tr> <td style="padding-left: 20px;">Special Assessment Bonds</td> <td style="text-align: right;">(8,243,700)</td> </tr> <tr> <td style="padding-left: 20px;">Other Long-Term Liabilities</td> <td style="text-align: right;">(896,542)</td> </tr> <tr> <td style="padding-left: 20px;">Unamortized Premium on Bonds</td> <td style="text-align: right;">(548,585)</td> </tr> <tr> <td style="padding-left: 20px;">Capital Leases</td> <td style="text-align: right;">(17,389)</td> </tr> <tr> <td style="padding-left: 20px;">Compensated Absences</td> <td style="text-align: right;"><u>(12,445,614)</u></td> </tr> </table> <p style="text-align: right;">Total <u>(38,576,830)</u></p>	Special Assessments	10,290,004	Property Taxes	4,393,563	Intergovernmental	5,367,010	Sales Tax	<u>1,561,934</u>	Net Assets	921,787	Capital Assets	(34,450)	Compensated Absences	<u>193,844</u>	Bond Issuance Costs	212,083	Unamortized Loss On Refunded Bonds	<u>88,525</u>	General Obligation Bonds	(16,425,000)	Special Assessment Bonds	(8,243,700)	Other Long-Term Liabilities	(896,542)	Unamortized Premium on Bonds	(548,585)	Capital Leases	(17,389)	Compensated Absences	<u>(12,445,614)</u>	<p style="text-align: right;">Net Assets of Governmental Activities \$ <u>217,690,036</u></p>
Special Assessments	10,290,004																															
Property Taxes	4,393,563																															
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Special Assessment Bonds	(8,243,700)																															
Other Long-Term Liabilities	(896,542)																															
Unamortized Premium on Bonds	(548,585)																															
Capital Leases	(17,389)																															
Compensated Absences	<u>(12,445,614)</u>																															
<p>\$ 4,778,272</p> <p>2,932,746</p> <p>70,845,741</p> <p>291,682</p> <p>1,294,546</p> <p>557,676</p> <p>2,900,000</p> <hr style="width: 100%;"/> <p>83,600,663</p> <p>2,174,868</p> <p>1,156,861</p> <p>207,844</p> <p>2,018,785</p> <p>2,514,956</p> <p>96,293</p> <p>557,676</p> <p>386,841</p> <p>10,684,850</p> <p>60,547,913</p> <p>4,588,648</p> <hr style="width: 100%;"/> <p>84,935,535</p>	<p>\$ <u>168,536,198</u></p>																															

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2010

	GENERAL	DEVELOP- MENTAL DISABILITIES BOARD	ADAMHS BOARD	SPECIAL ASSESSMENT DEBT SERVICE	OTHER GOVERNMENTAL FUNDS
REVENUES:					
Property taxes	\$ 11,695,262	\$ 18,450,034	\$ 8,760,921	\$	\$ 7,593,565
Sales tax	14,629,554				
Other taxes	2,010,629	21,008	10,093		671,101
Fees and charges for services	5,563,178				9,501,564
Licenses and permits	419,097				724,184
Fines and forfeitures	152,398				1,392,567
Intergovernmental	6,897,917	22,462,188	16,289,763		38,555,751
Special assessments				956,285	2,165,168
Investment earnings	1,859,446				21,730
Miscellaneous	3,969,807	1,536,469	405,589		4,810,025
TOTAL REVENUES	47,197,288	42,469,699	25,466,366	956,285	65,435,655
EXPENDITURES:					
CURRENT:					
General government	13,182,366				4,888,732
Judicial and public safety	33,319,590				9,662,292
Public works	245,975				14,837,492
Human services	1,180,307	40,562,334			28,447,152
Health	320,153		23,174,047		481,046
Community and economic development	150,000				3,685,115
Capital outlay					4,970,733
Debt service:					
Principal retirement				612,150	2,603,967
Interest and fiscal charges				432,460	1,004,054
TOTAL EXPENDITURES	48,398,391	40,562,334	23,174,047	1,044,610	70,580,583
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,201,103)	1,907,365	2,292,319	(88,325)	(5,144,928)
OTHER FINANCING SOURCES AND USES:					
Sale of capital assets	13,867				36,242
Issuance of debt					806,009
Inception of capital lease					19,975
Transfers - in	686,301				10,053,409
Transfers - out	(4,697,849)				(6,501,111)
TOTAL OTHER FINANCING SOURCES (USES)	(3,997,681)	0	0	0	4,414,524
NET CHANGE IN FUND BALANCE	(5,198,784)	1,907,365	2,292,319	(88,325)	(730,404)
FUND BALANCE AT BEGINNING OF YEAR	19,292,491	9,321,607	5,542,421	2,107,110	50,423,281
INCREASE (DECREASE) IN RESERVE FOR INVENTORY					66,454
FUND BALANCE AT END OF YEAR	\$ 14,093,707	\$ 11,228,972	\$ 7,834,740	\$ 2,018,785	\$ 49,759,331

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010*

	Net Change in Fund Balances - Total Governmental Funds	\$ (1,817,829)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
	Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
\$ 46,499,782	Capital Outlay	12,227,445
14,629,554	Depreciation	<u>(7,192,034)</u>
2,712,831	Total	5,035,411
15,064,742		
1,143,281	Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disp	(620,832)
1,544,965		
84,205,619	Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.	66,454
3,121,453		
1,881,176	Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
10,721,890	Special Assessments	(1,041,150)
	Property Taxes	773,204
	Intergovernmental	74,013
	Sales Tax	<u>62,784</u>
	Total	(131,149)
181,525,293	Other financing sources (proceeds of debt and inception of capital leases) in the governmental funds that increase long-term liabilities in the Statement of Net Assets.	(825,984)
	Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
	Bonds and Loans	3,216,117
	Capital Leases	<u>2,586</u>
	Total	3,218,703
	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	53,959
18,071,098	Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities:	
42,981,882	Amortization of Loss on Refunded Bonds	(5,632)
15,083,467	Amortization of Bond Premium	34,745
70,189,793	Amortization of Bond Issuance Costs	<u>(11,904)</u>
23,975,246	Total	17,209
3,835,115	Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(64,661)
4,970,733		
3,216,117	The internal service funds used by management are not reported in the county-wide statement of activities. Governmental fund expenditures and related internal service fund revenue are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.	
1,436,514	Change in Net Assets	24,286
183,759,965	Capital Assets	10,412
	Compensated Absences	<u>(27,422)</u>
	Total	7,276
(2,234,672)	Change in Net Assets of Governmental Activities	\$ <u><u>4,938,557</u></u>
50,109		
806,009		
19,975		
10,739,710		
(11,198,960)		
416,843		
(1,817,829)		
86,686,910		
66,454		
\$ 84,935,535		

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2010

GENERAL FUND	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 11,397,496	\$ 11,687,496	\$ 11,695,262	\$ 7,766
Sales tax	14,100,000	14,500,000	14,519,064	19,064
Other taxes	2,214,754	2,014,754	2,004,503	(10,251)
Fees and charges for services	5,906,305	5,369,055	5,550,106	181,051
Licenses and permits	411,400	411,400	421,335	9,935
Fines and forfeitures	178,180	153,680	152,099	(1,581)
Intergovernmental	6,334,614	6,812,114	6,840,781	28,667
Investment earnings	2,100,000	2,050,000	2,187,337	137,337
Miscellaneous	3,480,324	4,054,724	4,041,303	(13,421)
TOTAL REVENUES	46,123,073	47,053,223	47,411,790	358,567
EXPENDITURES:				
CURRENT:				
General government	14,945,996	14,146,097	13,295,647	850,450
Judicial and public safety	32,830,317	33,966,670	33,559,135	407,535
Public works	260,300	260,300	249,095	11,205
Human services	1,264,213	1,270,713	1,171,589	99,124
Health	324,802	324,802	320,166	4,636
Community and economic development	150,000	150,000	150,000	0
TOTAL EXPENDITURES	49,775,628	50,118,582	48,745,632	1,372,950
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,652,555)	(3,065,359)	(1,333,842)	1,731,517
OTHER FINANCING SOURCES AND USES:				
Sale of capital assets	15,000	15,000	13,867	(1,133)
Advances-in	180,000	180,000	172,850	(7,150)
Transfers - in		905,000	686,301	(218,699)
Transfers - out	(3,245,000)	(4,947,554)	(4,697,849)	249,705
TOTAL OTHER FINANCING SOURCES (USES)	(3,050,000)	(3,847,554)	(3,824,831)	22,723
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(6,702,555)	(6,912,913)	(5,158,673)	1,754,240
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	16,102,584	16,102,584	16,102,584	0
Unexpended Prior Year Encumbrances	16,135	16,135	16,135	0
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 9,416,164	\$ 9,205,806	\$ 10,960,046	\$ 1,754,240

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

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2010

DEVELOPMENTAL DISABILITIES BOARD	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 17,914,092	\$ 18,439,092	\$ 18,450,034	\$ 10,942
Other taxes	21,008	21,008	21,008	0
Intergovernmental	20,961,865	21,961,865	22,233,786	271,921
Miscellaneous	883,232	1,683,232	1,508,784	(174,448)
TOTAL REVENUES	<u>39,780,197</u>	<u>42,105,197</u>	<u>42,213,612</u>	<u>108,415</u>
EXPENDITURES:				
CURRENT:				
Human services	<u>47,098,182</u>	<u>47,098,173</u>	<u>41,121,527</u>	<u>5,976,646</u>
TOTAL EXPENDITURES	<u>47,098,182</u>	<u>47,098,173</u>	<u>41,121,527</u>	<u>5,976,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,317,985)	(4,992,976)	1,092,085	6,085,061
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	9,160,264	9,160,264	9,160,264	0
Unexpended Prior Year Encumbrances	<u>58,302</u>	<u>58,302</u>	<u>58,302</u>	<u>0</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ <u>1,900,581</u>	\$ <u>4,225,590</u>	\$ <u>10,310,651</u>	\$ <u>6,085,061</u>

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

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2010

BOARD OF ALCOHOL, DRUG ADDICTION AND MENTAL HEALTH SERVICES (ADAMHS BOARD)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Property taxes	\$ 8,798,107	\$ 8,798,107	\$ 8,760,921	\$ (37,186)
Other taxes	10,093	10,093	10,093	0
Intergovernmental	14,830,427	14,355,427	14,567,815	212,388
Miscellaneous	145,107	270,107	372,366	102,259
TOTAL REVENUES	<u>23,783,734</u>	<u>23,433,734</u>	<u>23,711,195</u>	<u>277,461</u>
EXPENDITURES:				
CURRENT:				
Health	<u>23,783,374</u>	<u>24,185,873</u>	<u>22,366,686</u>	<u>1,819,187</u>
TOTAL EXPENDITURES	<u>23,783,374</u>	<u>24,185,873</u>	<u>22,366,686</u>	<u>1,819,187</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	360	(752,139)	1,344,509	2,096,648
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	3,851,959	3,851,959	3,851,959	0
Unexpended Prior Year Encumbrances	<u>54,526</u>	<u>54,526</u>	<u>54,526</u>	<u>0</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ <u>3,906,845</u>	\$ <u>3,154,346</u>	\$ <u>5,250,994</u>	\$ <u>2,096,648</u>

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

LAKE COUNTY, OHIO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds				Governmental
	WATER	WASTE- WATER	SOLID WASTE	TOTALS	Activities INTERNAL SERVICE FUNDS
ASSETS:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 11,945,355	\$ 11,693,582	\$ 9,870,701	\$ 33,509,638	\$ 1,312,159
Net receivables:					
Accounts	2,991,086	2,478,708	761,814	6,231,608	279
Unbilled accounts	1,946,725	2,242,845		4,189,570	
Other receivables				0	
Due from other funds		675,000	319,177	994,177	114,989
Due from other governments				0	5,952
Material and supplies inventory	904,053	653,853	3,420	1,561,326	52,337
Prepaid items	31,611	31,565	5,274	68,450	2,554
Unamortized bond issuance costs		4,240		4,240	
<i>Total current assets</i>	<u>17,818,830</u>	<u>17,779,793</u>	<u>10,960,386</u>	<u>46,559,009</u>	<u>1,488,270</u>
Noncurrent assets-capital assets:					
Land	1,303,593	1,485,824	1,558,229	4,347,646	
Land improvements	88,142	50,715	259,316	398,173	
Utility plant in service	129,510,311	216,596,799	15,526,002	361,633,112	
Furniture, fixtures and equipment	2,782,140	4,628,897	623,680	8,034,717	243,314
Less: Accumulated depreciation	(81,255,342)	(111,553,509)	(8,102,904)	(200,911,755)	(208,864)
Construction-in-progress	5,564,375	9,650,073	6,689,466	21,903,914	
<i>Total noncurrent assets-capital assets:</i>	<u>57,993,219</u>	<u>120,858,799</u>	<u>16,553,789</u>	<u>195,405,807</u>	<u>34,450</u>
TOTAL ASSETS	<u>\$ 75,812,049</u>	<u>\$ 138,638,592</u>	<u>\$ 27,514,175</u>	<u>\$ 241,964,816</u>	<u>\$ 1,522,720</u>

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

LAKE COUNTY, OHIO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS (CONTINUED)

DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds				Governmental
	WATER	WASTE- WATER	SOLID WASTE	TOTALS	Activities INTERNAL SERVICE FUNDS
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 223,810	\$ 222,492	\$ 280,554	\$ 726,856	\$ 157,234
Accrued wages and benefits	248,081	246,686	36,811	531,578	20,180
Unearned revenue	1,074,295	1,164,347		2,238,642	
Accrued interest payable	3,802	54,624	5,510	63,936	
Interfund payable				0	
Due to other funds	2,164,209	3,531	55	2,167,795	526
Due to other governments	756,477	517,122	194,027	1,467,626	16,368
Claims payable				0	212,781
Customer deposits	191,184	196,604		387,788	
Compensated absences payable-current	77,038	66,595	5,542	149,175	13,491
Unamortized premium on debt issue				0	
Notes payable	773,427	7,200,000	760,000	8,733,427	
OWDA loans payable-current		2,599,540		2,599,540	
General obligation bonds payable-current		77,900		77,900	
Other long-term debt payable-current		28,599		28,599	
<i>Total current liabilities</i>	<u>5,512,323</u>	<u>12,378,040</u>	<u>1,282,499</u>	<u>19,172,862</u>	<u>420,580</u>
Noncurrent liabilities:					
Compensated absences payable	1,029,833	890,236	74,087	1,994,156	180,353
OWDA loans payable		19,016,317		19,016,317	
General obligation bonds payable		1,123,400		1,123,400	
Other long-term debt payable		491,261		491,261	
Landfill closure and postclosure costs			17,949,184	17,949,184	
<i>Total noncurrent liabilities</i>	<u>1,029,833</u>	<u>21,521,214</u>	<u>18,023,271</u>	<u>40,574,318</u>	<u>180,353</u>
TOTAL LIABILITIES	\$ <u>6,542,156</u>	\$ <u>33,899,254</u>	\$ <u>19,305,770</u>	\$ <u>59,747,180</u>	\$ <u>600,933</u>
NET ASSETS:					
Invested in capital assets, net of related debt	57,219,792	90,321,782	15,793,789	163,335,363	34,450
Unrestricted	<u>12,050,101</u>	<u>14,417,556</u>	<u>(7,585,384)</u>	<u>18,882,273</u>	<u>887,337</u>
TOTAL NET ASSETS	\$ <u>69,269,893</u>	\$ <u>104,739,338</u>	\$ <u>8,208,405</u>	\$ <u>182,217,636</u>	\$ <u>921,787</u>

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

LAKE COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds				Governmental
	WATER	WASTE- WATER	SOLID WASTE	TOTALS	INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Water sales	\$ 17,216,024	\$	\$	\$ 17,216,024	\$
Sewer charges		14,699,209		14,699,209	
Fees, permits and tap-ins	199,955	566,596		766,551	
Charges for services	71,756	200,796	5,553,703	5,826,255	6,360,718
Other operating revenues	52,089	143,928	335,171	531,188	13,001
TOTAL OPERATING REVENUES	17,539,824	15,610,529	5,888,874	39,039,227	6,373,719
OPERATING EXPENSES:					
Personal services	4,307,928	4,450,271	462,846	9,221,045	600,174
Contractual services	874,908	942,723	5,366,332	7,183,963	277,395
Materials and supplies	1,497,954	854,278	78,598	2,430,830	1,312,198
Insurance claims				0	3,970,733
Other operating expenses	3,487,156	3,589,380	233,076	7,309,612	687,931
Depreciation expense	2,547,388	4,527,309	536,422	7,611,119	10,412
TOTAL OPERATING EXPENSES	12,715,334	14,363,961	6,677,274	33,756,569	6,858,843
OPERATING INCOME (LOSS)	4,824,490	1,246,568	(788,400)	5,282,658	(485,124)
NON-OPERATING REVENUES (EXPENSES):					
Investment earnings	676	522	251	1,449	
Sale of capital assets	3,715	11,506		15,221	160
Interest and fiscal charges	(45,755)	(1,033,404)		(1,079,159)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	(41,364)	(1,021,376)	251	(1,062,489)	160
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	4,783,126	225,192	(788,149)	4,220,169	(484,964)
Grants and contributed capital	757,315	1,069,202		1,826,517	
Contributions from customers	24,866	24,222		49,088	
Transfers-in				0	509,250
Transfers-out	(50,000)			(50,000)	
CHANGE IN NET ASSETS	5,515,307	1,318,616	(788,149)	6,045,774	24,286
NET ASSETS AT BEGINNING OF THE YEAR	63,754,586	103,420,722	8,996,554	176,171,862	897,501
NET ASSETS AT END OF THE YEAR	\$ 69,269,893	\$ 104,739,338	\$ 8,208,405	\$ 182,217,636	\$ 921,787

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

LAKE COUNTY, OHIO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>WATER</u>	<u>WASTE- WATER</u>	<u>SOLID WASTE</u>	<u>TOTAL</u>	<u>Activities</u> <u>INTERNAL</u> <u>SERVICE</u> <u>FUNDS</u>
<u>Cash flows from operating activities:</u>					
Cash received from customers	\$ 17,249,229	\$ 15,204,442	\$ 5,484,638	\$ 37,938,309	\$ 6,344,409
Cash paid to suppliers	(5,940,874)	(5,411,824)	(5,085,942)	(16,438,640)	(2,202,116)
Cash paid to employees	(4,210,649)	(4,379,789)	(440,944)	(9,031,382)	(606,777)
Cash paid for claims				0	(3,949,948)
Other operating revenues	52,089	143,928	335,171	531,188	13,040
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,149,795	5,556,757	292,923	12,999,475	(401,392)
<u>Cash flows from noncapital financing activities:</u>					
Transfers-in from other funds					509,250
Transfers-out to other funds	(50,000)			(50,000)	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(50,000)	0	0	(50,000)	509,250
<u>Cash flows from capital and related financing activities:</u>					
Proceeds from the sale of general obligation notes	750,000	7,200,000	760,000	8,710,000	
Proceeds from the sale of general obligation bonds		142,683		142,683	
Acquisition and construction of capital assets	(3,083,691)	(4,891,607)	(175,618)	(8,150,916)	
Principal paid on general obligation debt	(2,370,970)	(10,315,871)	(960,000)	(13,646,841)	
Interest paid on general obligation debt	(49,780)	(1,139,531)	(14,360)	(1,203,671)	
Capital contributed by grants	816,578	1,115,329		1,931,907	
Contributions from customers	24,866	24,222		49,088	
Proceeds from the sale of capital assets	3,715	11,506		15,221	160
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,909,282)	(7,853,269)	(389,978)	(12,152,529)	160
<u>Cash flows from investing activities:</u>					
Interest on investments	1,660	8,537	383	10,580	
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,660	8,537	383	10,580	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,192,173	(2,287,975)	(96,672)	807,526	108,018
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,753,182	13,981,557	9,967,373	32,702,112	1,204,141
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 11,945,355	\$ 11,693,582	\$ 9,870,701	\$ 33,509,638	\$ 1,312,159

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

LAKE COUNTY, OHIO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds				Governmental
	WATER	WASTE- WATER	SOLID WASTE	TOTAL	Activities INTERNAL SERVICE FUNDS
<u>Capital and related financing activities</u> <u>not affecting cash:</u>					
Acquisition of capital assets through contributed capital	\$	\$ 30,981	\$	\$ 30,981	\$
Acquisition of assets capitalized from prior years's construction-in-progress	<u>567,926</u>	<u>2,303,125</u>		<u>2,871,051</u>	
NET ACQUISITION OF CAPITAL ASSETS NOT AFFECTING CASH	\$ <u>567,926</u>	\$ <u>2,334,106</u>	\$ <u>0</u>	\$ <u>2,902,032</u>	\$ <u>0</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ 4,824,490	\$ 1,246,568	\$ (788,400)	\$ 5,282,658	\$ (485,124)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	2,547,388	4,527,309	536,422	7,611,119	10,412
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(263,705)	(304,915)	(69,065)	(637,685)	(152)
(Increase) decrease in inventory	(9,147)	(411)	(139)	(9,697)	22,680
(Increase) decrease in due from other funds				0	(23,691)
(Increase) decrease in due from other governments				0	7,573
(Increase) decrease in prepaid items	(5,800)	(2,314)	140	(7,974)	(136)
Increase (decrease) in accounts payable	(55,008)	(37,316)	12,022	(80,302)	76,607
Increase (decrease) in accrued wages	97,279	70,482	21,902	189,663	(4,122)
Increase (decrease) in due to other funds	(2,098)	(4,358)	(1,215)	(7,671)	364
Increase (decrease) in due to other governments	(38,131)	(49,977)	(84,931)	(173,039)	3,315
Increase (decrease) in claims payable				0	20,785
Increase (decrease) in compensated absences	29,328	(77,604)	(31,529)	(79,805)	(29,903)
Increase (decrease) in customer deposits	25,199	42,756		67,955	
Increase (decrease) in construction-in-progress not capitalized		146,537		146,537	
Increase (decrease) in landfill closure and postclosure costs			697,716	697,716	
Total adjustments	<u>2,325,305</u>	<u>4,310,189</u>	<u>1,081,323</u>	<u>7,716,817</u>	<u>83,732</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>7,149,795</u>	\$ <u>5,556,757</u>	\$ <u>292,923</u>	\$ <u>12,999,475</u>	\$ <u>(401,392)</u>

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

LAKE COUNTY, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

DECEMBER 31, 2010

	AGENCY FUNDS
<hr/>	
ASSETS:	
Equity in pooled cash and cash equivalents	\$ 24,480,989
Cash and cash equivalents - non-pooled cash	5,510,868
Receivables:	
Taxes	306,027,062
Special assessments	7,257,930
Due from other governments	<u>2,350,965</u>
TOTAL ASSETS	<u>\$ 345,627,814</u>
<hr/>	
LIABILITIES:	
Due to other governments	\$ 331,415,075
Other liabilities	<u>14,212,739</u>
TOTAL LIABILITIES	<u>\$ 345,627,814</u>

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – DESCRIPTION OF LAKE COUNTY

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

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

REPORTING ENTITY

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

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

Discretely Presented Component Units

The component unit columns in the financial statements identify the financial data of the County's component units, Deepwood Industries, Inc. and the Lake County Port Authority. They are reported separately to emphasize that they are legally separate from the County.

DEEPWOOD INDUSTRIES, INC. (the Workshop)

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

LAKE COUNTY PORT AUTHORITY (the Port Authority)

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

Information in the following notes to the basic financial statements is applicable to the primary government. When information is provided relative to the component unit, it is specifically identified.

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the Lake County General Health District and the Lake County Soil and Water Conservation District, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of these agencies are presented as agency funds within the basic financial statements.

Related Organizations

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

LAKE METROPARKS

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

LAKELAND COMMUNITY COLLEGE

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)

REPORTING ENTITY (Continued)

LAKETRAN

Laketrans provides bus transportation services to the residents of Lake County. Laketrans is a distinct political subdivision of the State and a separate corporate body. Although all board members are appointed by the Board of County Commissioners, the Laketrans Board has the separate governing authority to levy and collect taxes, adopt its own budget, issue bonds and control its own operations.

LAKE COUNTY LIBRARY DISTRICT

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

LAKE HEALTH

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

Jointly Governed Organizations

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

NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM FACILITY (NEOCAP)

The Northeast Ohio Community Alternative Program Facility is a community based corrections facility that provides residents of the facility educational, vocational, substance abuse and support counseling services. The facility is administered by a judicial corrections board consisting of seven common pleas court judges. The members consist of two judges each from Trumbull and Lake Counties, and one judge each from Ashtabula, Geauga and Portage Counties. The Board adopts its own budget, authorizes expenditures and hires and fires its own staff. Funding is provided by the State of Ohio.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Fund Financial Statements

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

FUND ACCOUNTING

The County, the Workshop and the Port Authority use funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Funds

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

General Fund: The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (Continued)

Governmental Funds (Continued):

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

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

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

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

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

Water: The County provides water to residential, commercial and industrial customers. Revenue generated through user charges is used for operation, maintenance and capital improvements of the water distribution system.

Wastewater: The County provides sanitary sewer service to residential, commercial and industrial customers. Wastewater charges are based on water usage and serve as the major revenue source for financing the operations and maintenance of the wastewater system.

Solid Waste: This fund is used to account for the financial operations of the County's solid waste removal and landfill activities. Revenues are generated primarily from user tipping fees.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (Continued)

Proprietary Funds (Continued)

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications; pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The only fiduciary funds of the County are agency funds. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees and to account for funds of the Lake County General Health District and the Lake County Soil and Water Conservation District.

MEASUREMENT FOCUS

Government-wide Financial Statements:

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS (Continued)

Fund Financial Statements (Continued)

Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

The Workshop has adopted Financial Accounting Standard Board Statement of Accounting Standards (FAS) No. 117 (Financial Statements of Not-for-Profit Organizations) for presentation of its financial statements. As such, the financial statements are presented on the basis of unrestricted and restricted net assets.

BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (Continued)

Revenues - Exchange and Non-exchange Transactions (Continued)

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

Deferred Revenue/Unearned Revenue

Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures

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

The Workshop and the Port Authority each allocates their expenses on a functional basis among its various programs and support services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on estimates established by each entity.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS

The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolutions, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County may appropriate. The appropriations resolution is the Commissioner's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Commissioners. The legal level of control is at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Commissioners. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2010.

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

Tax Budget

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

Estimated Resources

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

Estimated Resources (Continued)

year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during 2010.

Appropriations

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

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

Budgeted Level of Expenditures

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS (Continued)

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

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

POOLED CASH AND CASH EQUIVALENTS

The County Treasurer invests all active County funds. Active County funds are invested in federal agency obligations. Inactive funds are invested in certificates of deposit and the State Treasurer’s Investment Pool. The County pools its cash for investment purposes to capture the highest return. Investment income is distributed to various funds based upon their average daily cash balances. Investments are reported at fair value, which is based on quoted market prices. Interest income earned in the General fund in 2010 totaled \$1,859,446, which includes \$1,576,810 assigned from funds other than the General Fund. For purposes of reporting cash flows, cash and cash equivalents include all cash items, investments and deposits which can readily be converted into cash. Certificates of deposit are included regardless of initial maturity as they meet the criteria for ready conversion.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2010. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the same as the fair value of the underlying investment.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY OF SUPPLIES

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

INTERFUND RECEIVABLES

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2010 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

INTERFUND BALANCES

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “due to/from other funds”. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BOND ISSUANCE COSTS

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

CAPITAL ASSETS

General capital assets are capital assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. The County's infrastructure consists of roads, bridges, and culverts. Water and sanitary sewers and the associated operation facilities, as well as the County's landfill facilities are reported as utility plant in service. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITALIZATION OF INTEREST

The County's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalization interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated life of the asset. Total interest capitalized in 2010 and included in construction-in-progress for the Enterprise Funds was \$124,649.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

COMPENSATED ABSENCES

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

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES (Continued)

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

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

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

FUND BALANCE RESERVES/DESIGNATIONS

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

NET ASSETS

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS (Continued)

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government wide statement of net assets reports \$70,352,428 of restricted net assets, of which \$17,974,048 is restricted by enabling legislation.

OPERATING REVENUES AND EXPENSES

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

INTERFUND TRANSACTIONS

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

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

EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

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

NOTE C – CHANGE IN ACCOUNTING PRINCIPLES

CHANGE IN ACCOUNTING PRINCIPLES

For 2010, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 59, “Financial Instruments Omnibus”. GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements and external investment pools. The implementation of this statement did not result in any change to the County’s financial statements.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

While the County is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) are presented in the basic financial statements for the General Fund and Major Special Revenue Funds. The major differences between the budget basis and the GAAP basis are:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis) for governmental funds.

Net Change in Fund Balance General and Major Special Revenue Funds

	<u>General</u>	<u>DD Board</u>	<u>ADAMHS Board</u>
GAAP Basis	\$(5,198,784)	\$1,907,365	\$2,292,319
Net Adjustment of Revenue			
Accruals	(104,017)	(256,087)	(1,755,171)
Beginning Fair Value			
Adjustment for Investments	625,191	0	0
Ending Fair Value			
Adjustment for Investments	(306,672)	0	0
Net Adjustment for			
Expenditure Accruals	(277,796)	54,733	673,245
Advances-In	172,850	0	0
Encumbrances	<u>(69,445)</u>	<u>(613,926)</u>	<u>134,116</u>
Budget Basis	<u>\$(5,158,673)</u>	<u>\$1,092,085</u>	<u>\$1,344,509</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

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

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

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

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds issued in the name of the County or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Inactive monies can be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in divisions (1) and (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

DEPOSITS

Custodial Credit Risk

At December 31, 2010, the carrying amount of the County's deposits was \$102,396,630. Based on the criteria described in GASB 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$101,698,791 of the County's bank balance of \$104,568,871 was exposed to custodial risk as discussed below, while \$2,870,080 was covered by the Federal Deposit Insurance Corporation (FDIC). Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

Investments are reported at fair value. As of December 31, 2010, the County had the following investments:

	Maturity				Total
	Less Than Six Months	More Than Six Months But Less Than One Year	More Than One Year But Less Than Three Years	More Than Three Years But Less Than Five Years	
Federal Home Loan Bank Notes	\$ 0	\$ 9,950,498	\$ 9,118,080	\$ 2,998,500	\$ 22,067,078
Federal Farm Credit Bank	0	5,118,310	9,018,870	0	14,137,180
Treasury Notes	0	0	2,977,969	0	2,977,969
STAR Ohio	<u>170</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>170</u>
Total Portfolio	<u>\$ 170</u>	<u>\$ 15,068,808</u>	<u>\$ 21,114,919</u>	<u>\$ 2,998,500</u>	<u>\$ 39,182,397</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the County's investment policy requires that operating funds be invested primarily within five years from the date of purchase and that the County's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of this policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The Federal Home Loan Mortgage Corporation Notes, the Federal Home Loan Bank Notes, the Federal Farm Credit Bank and the National Mortgage Association Notes carry a rating of AAA by Standard & Poor's and STAR Ohio also carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The County has no investment policy that would further limit its investment choices.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Custodial Credit Risk

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

Concentration of Credit Risk

The County places no limit on the amount it may invest in any one issuer. The following is the County’s allocation as of December 31, 2010:

<u>Investment</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank Notes	60.95%
Federal Farm Credit Bank	39.05%

COMPONENT UNITS

At December 31, 2010 the carrying amount of Deepwood Industries, Inc. Workshop’s deposits was \$565,724. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2010, \$411,921 of the Workshop’s bank balance of \$574,406 was exposed to custodial risk, while \$162,485 was covered by the Federal Depository Insurance Corporation. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation.

At December 31, 2010 the carrying amount of the Lake County Port Authority’s deposits was \$280,775. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2010, \$44,805 of the Port Authority’s bank balance of \$294,805 was exposed to custodial risk, while \$250,000 was covered by the Federal Depository Insurance Corporation. The Port Authority had no investments at year-end.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,522,603	\$ 0	\$ 0	\$ 3,522,603
Construction in progress	<u>29,665,973</u>	<u>5,024,272</u>	<u>1,104,341</u>	<u>33,585,904</u>
<i>Total capital assets not being depreciated</i>	<u>33,188,576</u>	<u>5,024,272</u>	<u>1,104,341</u>	<u>37,108,507</u>
<i>Capital assets being depreciated:</i>				
Land improvements	782,496	0	0	782,496
Buildings and other structures	87,800,412	1,147,210	0	88,947,622
Furniture, fixtures and equipment	39,738,293	526,825	11,333,179	28,931,939
Infrastructure	<u>89,912,582</u>	<u>6,633,479</u>	<u>874,875</u>	<u>95,671,186</u>
<i>Total capital assets being depreciated</i>	<u>218,233,783</u>	<u>8,307,514</u>	<u>12,208,054</u>	<u>214,333,243</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	575,569	34,102	0	609,671
Buildings and other structures	43,795,238	2,370,269	0	46,165,507
Furniture, fixtures and equipment	31,250,084	1,781,039	11,172,532	21,858,591
Infrastructure	<u>31,771,745</u>	<u>3,006,624</u>	<u>414,690</u>	<u>34,363,679</u>
<i>Total accumulated depreciation</i>	<u>107,392,636</u>	<u>7,192,034*</u>	<u>11,587,222</u>	<u>102,997,448</u>
<i>Total capital assets being depreciated, net</i>	<u>110,841,147</u>	<u>1,115,480</u>	<u>620,832</u>	<u>111,335,795</u>
<i>Governmental activities capital assets, net</i>	<u>\$144,029,723</u>	<u>\$6,139,752</u>	<u>\$1,725,173</u>	<u>\$148,444,302</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$ 775,037
General Government (Int. Svc.)	10,412
Judicial and Public Safety	1,834,792
Public Works	3,367,866
Human Services	982,583
Health	<u>221,344</u>
Total Governmental Activities Depreciation Expense	<u>\$ 7,192,034</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – CAPITAL ASSETS (CONTINUED)

*Depreciation expense was charged to governmental activities as follows:

General Government	\$ 775,037
General Government (Int. Svc.)	10,412
Judicial and Public Safety	1,834,792
Public Works	3,367,866
Human Services	982,583
Health	<u>221,344</u>
 Total Governmental Activities Depreciation Expense	 <u>\$ 7,192,034</u>

Business-type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,491,646	\$ 0	\$ 144,000	\$ 4,347,646
Construction in progress	<u>18,264,555</u>	<u>7,902,430</u>	<u>4,263,071</u>	<u>21,903,914</u>
<i>Total capital asset not being depreciated</i>	<u>22,756,201</u>	<u>7,902,430</u>	<u>4,407,071</u>	<u>26,251,560</u>
<i>Capital assets being depreciated:</i>				
Land improvements	383,823	14,350	0	398,173
Utility plant in service	357,821,497	4,147,515	335,900	361,633,112
Furniture, fixtures and equipment	<u>7,806,356</u>	<u>319,562</u>	<u>91,201</u>	<u>8,034,717</u>
<i>Total capital assets being depreciated</i>	<u>366,011,676</u>	<u>4,481,427</u>	<u>427,101</u>	<u>370,066,002</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	224,172	16,281	0	240,453
Utility plant in service	187,384,101	7,133,171	335,900	194,181,372
Furniture, fixtures and equipment	<u>6,119,464</u>	<u>461,667</u>	<u>91,201</u>	<u>6,489,930</u>
<i>Total accumulated depreciation</i>	<u>193,727,737</u>	<u>7,611,119</u>	<u>427,101</u>	<u>200,911,755</u>
<i>Total capital assets being depreciated, net</i>	<u>172,283,939</u>	<u>(3,129,692)</u>	<u>0</u>	<u>169,154,247</u>
<i>Business-type activities capital assets, net</i>	<u>\$195,040,140</u>	<u>\$4,772,738</u>	<u>\$4,407,071</u>	<u>\$195,405,807</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE G – INTERFUND TRANSACTIONS

Due to/from payables and receivables balances at December 31, 2010, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occurred, (2) transactions are recorded in the accounting records, and (3) payments between funds are made.

	<u>DUE FROM RECEIVABLES</u>	<u>DUE TO PAYABLES</u>
<u>Governmental Major Funds:</u>		
General Fund	\$1,008,970	\$ 126,708
DD Board		10,785
ADAMHS Board		<u>229</u>
Total Governmental Major Funds	<u>1,008,970</u>	<u>137,722</u>
 <u>Enterprise Major Funds:</u>		
Water		2,164,209
Wastewater	675,000	3,531
Solid Waste	<u>319,177</u>	<u>55</u>
Total Enterprise Major Funds	<u>994,177</u>	<u>2,167,795</u>
 <u>Nonmajor Special Revenue Funds:</u>		
Public Assistance		14,335
Children's Services		1,406
Child Support Enforcement		109,569
Felony Delinquent Custody & Care		353
Auto License and Gasoline Tax		170
Engineer's Stormwater Management		1,790
Dog and Kennel		1,162
Narcotics Agency		4,448
Forensic Crime Laboratory		1,993
Emergency Management Agency		1,498
Prosecutor's 4-D	52,392	92
Pilot Probation Grant		97
800 MHZ Communications System		1,400
Emergency Planning		1,344
Domestic Relations 4-D	21,907	405
Juvenile Court Computerization		125
Juvenile Court IV-D	30,233	3,250
Certificate of Title Administration		700
Clerk of Courts Computerization		93
Concealed Handgun License		943
Common Pleas Court Project #1		576
Probate Court Computerization		1,831

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE G – INTERFUND TRANSACTIONS (CONTINUED)

	<u>DUE FROM RECEIVABLES</u>	<u>DUE TO PAYABLES</u>
<u>Nonmajor Special Revenue Funds (continued):</u>		
Probation Supervision Fees	\$	\$ 6
Law Library	7,887	
Telecommunications	65,023	1,285
Real Estate Assessment		2,167
County Recorder's Equipment		3
Hotel/Motel		336
Geographic Information System	1,344	
Community Development Block Grant		<u>243</u>
Total Special Revenue Funds	<u>178,786</u>	<u>151,620</u>
<u>Nonmajor Capital Project Funds:</u>		
Permanent Improvement	163,081	1,970
Courthouse Renovation		<u>370</u>
Total Capital Project Funds	<u>163,081</u>	<u>2,340</u>
<u>Internal Service Funds:</u>		
Central Purchasing	30,595	187
Mailroom	39,626	123
Garage	<u>44,768</u>	<u>216</u>
Total Internal Service Funds	<u>114,989</u>	<u>526</u>
TOTAL – ALL FUNDS	<u>\$2,460,003</u>	<u>\$2,460,003</u>
	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 227,676	
Public Assistance		\$ 85,705
Additional Motor Vehicle Tax	330,000	
Engineer's Stormwater Management		330,000
Juvenile Court Computerization		141,971

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – LONG-TERM DEBT

Changes in the County's long-term obligations during the year ended December 31, 2010 consist of the following:

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2010	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2010	AMOUNTS DUE IN ONE YEAR
GOVERNMENTAL ACTIVITIES								
<i>General Obligation Bonds</i>								
1986/2011	Detention Facility	\$15,725,000	6.75%	\$ 1,310,000	\$ 0	\$ (655,000)	\$ 655,000	\$ 655,000
2001/2010	Juvenile Justice Center and Courthouse Annex	7,660,000	3.35%-4.25%	990,000	0	(990,000)	0	0
2005/2025	County Building Improvement & Refunding	15,500,000	3.00%-5.00%	14,060,000	0	(615,000)	13,445,000	640,000
2005/2010	Forensic Crime Laboratory	636,000	3.00%-5.00%	112,000	0	(112,000)	0	0
1995/2015	Human Services Center	2,500,000	3.00%-5.00%	1,015,000	0	(155,000)	860,000	160,000
2007/2032	Dog Shelter Renovation	1,545,000	4.05%-5.00%	1,505,000	0	(40,000)	1,465,000	40,000
Total General Obligation Bonds – Unvoted				18,992,000	0	(2,567,000)	16,425,000	1,495,000
<i>Special Assessment Bonds with Government Commitment</i>								
2005/2010	Blackmore, Birch, Iowa 167W, 169W, 170W	159,000	3.00%-5.00%	28,000	0	(28,000)	0	0
1994/2014	Proj. 176W, 178W, 180W, 183W, 187W, 193W, 195W, 199W, 182S, 186S	1,340,000	5.60%-7.75%	350,000	0	(70,000)	280,000	70,000
1996/2016	Perry Area 166S	965,000	4.95%-6.75%	350,000	0	(50,000)	300,000	50,000
1999/2019	Proj. 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	850,000	5.80%	380,000	0	(50,000)	330,000	50,000
2000/2020	Girdled, Wood, Timberlane 206W, 220W, 227W	1,145,000	5.60%	650,000	0	(55,000)	595,000	55,000
2000/2020	Pinecrest Area, Beechersbrook Lane, Imperial Woods, 216W, 231W, 221S	1,280,000	5.60%	760,000	0	(65,000)	695,000	65,000
2002/2022	Concord Area, Lane, Shepard, Lockwood, 234S, 212W, 240W	2,862,500	2.00%-4.75%	2,092,850	0	(124,150)	1,968,700	127,100
2004/2024	Windpoint Reserve, McMackin, South Ridge, Shepard, Baldwin, Althea, Dormae Roads, 242S, 243W, 248W, 249W, 250W, 251W, 253W	1,610,000	2.00%-5.35%	1,320,000	0	(65,000)	1,255,000	70,000
2005/2025	Mount Royal, Spring Lake, Spring Lake Loop, 241W, 246W, 265W	670,000	3.50%-5.00%	575,000	0	(25,000)	550,000	25,000
2008/2028	Rte. 20 East of Lane, Perry Village, Ashview, Meadow Wood, Perry Park Rd. 244S, 258S, 274S, 262W, 300W	1,857,000	3.00%-5.00%	1,810,000	0	(65,000)	1,745,000	70,000
2009/2029	Maple Street, 291S	540,000	2.00%-5.25%	540,000	0	(15,000)	525,000	20,000
Total Special Assessment Bonds				8,855,850	0	(612,150)	8,243,700	602,100
Other Long-Term Liabilities								
2008/2018	US Rte 20 Storm Drainage Outlet Sewer OPWC CG10J	150,000	0.00%	127,500	0	(15,000)	112,500	15,000
2010/2025	Mill-Morr Dr, Ravenna Rd OPWC CG71M	218,009	0.00%	0	218,009	(7,267)	210,742	14,534
2010/2030	River Rd Safety Improvement Phase II OPWC CG34L	588,000	0.00%	0	588,000	(14,700)	573,300	29,400
Total Other Long-Term Liabilities				127,500	806,009	(36,967)	896,542	58,934
<i>Unamortized Premium on Debt Issues</i>				583,330	0	(34,745)	548,585	30,559
<i>Capital Leases</i>				0	19,975	(2,586)	17,389	6,237
<i>Compensated Absences</i>				12,380,953	1,303,285	(1,238,624)	12,445,614	866,214
TOTAL GOVERNMENTAL ACTIVITIES				\$40,939,633	\$2,129,269	\$(4,492,072)	\$38,576,830	\$3,059,044

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – LONG-TERM DEBT (CONTINUED)

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2010	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2010	AMOUNTS DUE IN ONE YEAR
BUSINESS TYPE ACTIVITIES								
<i>Self Supporting General Obligation Bonds Payable from Enterprise Funds</i>								
<u>Payable from Water Revenues</u>								
2002/2010	State Route 91 130W, 126W,151W, 157W	\$4,905,000	2.00%-3.25%	\$ 670,000	\$ 0	\$(670,000)	\$ 0	\$ 0
Total Payable From Water				670,000	0	(670,000)	0	0
<u>Payable From Wastewater Revenues</u>								
2002/2022	Concord Area 234S	1,742,500	2.00%-4.75%	1,277,150	0	(75,850)	1,201,300	77,900
Total Payable from Wastewater				1,277,150	0	(75,850)	1,201,300	77,900
Total Self Supporting General Obligation Bonds				1,947,150	0	(745,850)	1,201,300	77,900
<u>OWDA Loans</u>								
<u>Payable From Water Revenues</u>								
1985/2010	Willoughby, Eastlake, Wickliffe	2,851,747	10.84%	150,970	0	(150,970)	0	0
Total Payable From Water				150,970	0	(150,970)	0	0
<u>Payable From Wastewater Revenues</u>								
1985/2010	Project 140S	12,801,588	9.98%	1,405,568	0	(640,189)	765,379	765,379
1986/2010	Project 140S-6	1,632,644	7.86%	71,002	0	(71,002)	0	0
2000/2020	Project 218S	36,199,145	4.12%	22,611,344	0	(1,760,866)	20,850,478	1,834,161
Total Payable From Wastewater				24,087,914	0	(2,472,057)	21,615,857	2,599,540
Total OWDA Loans				24,238,884	0	(2,623,027)	21,615,857	2,599,540
<u>Other Long-Term Liabilities</u>								
<u>Payable from Wastewater Revenues</u>								
2006/2025	City of Willoughby Hills	488,959	3.03%	405,140	0	(20,829)	384,311	21,465
2010/2029	Mentor Headlands San Sewer Replacement OPWC CG17K	142,683	0.00%	0	142,683	(7,134)	135,549	7,134
Total Payable From Wastewater				405,140	142,683	(27,963)	519,860	28,599
Total Other Long-Term Liabilities				405,140	142,683	(27,963)	519,860	28,599
<u>Landfill Closure and Post Closure Costs</u>				17,251,468	697,716	0	17,949,184	0
<u>Unamortized Premium on Debt Issues</u>				12,895	0	(12,895)	0	0
<u>Compensated Absences</u>				2,223,136	172,307	(252,112)	2,143,331	149,175
TOTAL BUSINESS TYPE ACTIVITIES				<u>\$46,078,673</u>	<u>\$1,012,706</u>	<u>\$(3,661,847)</u>	<u>\$43,429,532</u>	<u>\$2,855,214</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – LONG-TERM DEBT (CONTINUED)

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2010 are as follows:

Governmental Activities

YEAR ENDED DEC. 31 st	GENERAL OBLIGATION BONDS		SPECIAL ASSESSMENT BONDS		OTHER LONG-TERM DEBT	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,495,000	\$ 805,450	\$ 602,100	\$ 399,652	\$ 58,934	\$ 0
2012	870,000	727,617	618,000	372,542	58,934	0
2013	905,000	692,737	630,950	344,451	58,934	0
2014	945,000	656,447	641,850	315,337	58,934	0
2015	985,000	609,558	582,750	285,420	58,934	0
2016-2020	4,660,000	2,361,775	2,778,150	1,021,826	257,170	0
2021-2025	5,925,000	1,078,000	1,844,900	376,371	212,402	0
2026-2030	435,000	118,250	545,000	60,462	132,300	0
2031-2032	<u>205,000</u>	<u>15,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	<u>\$16,425,000</u>	<u>\$7,065,334</u>	<u>\$8,243,700</u>	<u>\$3,176,061</u>	<u>\$896,542</u>	<u>\$ 0</u>

Business Type Activities

YEAR ENDED DEC. 31 st	GENERAL OBLIGATION BONDS		O.W.D.A. LOANS		OTHER LONG-TERM DEBT	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 77,900	\$ 55,284	\$ 2,599,540	\$ 840,340	\$ 28,600	\$ 11,483
2012	82,000	52,479	1,910,507	763,995	29,255	10,828
2013	84,050	49,446	1,990,031	684,471	29,930	10,153
2014	88,150	46,210	2,072,864	601,637	30,626	9,457
2015	92,250	42,684	2,159,146	515,356	31,343	8,739
2016-2020	526,850	141,631	10,883,769	1,151,489	168,265	32,149
2021-2025	250,100	17,917	0	0	173,305	10,635
2026-2029	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,536</u>	<u>0</u>
TOTALS	<u>\$1,201,300</u>	<u>\$ 405,651</u>	<u>\$ 21,615,857</u>	<u>\$ 4,557,288</u>	<u>\$519,860</u>	<u>\$ 93,444</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – LONG-TERM DEBT (CONTINUED)

The County had entered into agreements to lease equipment and machinery. These agreements, in substance, are capital purchases and the related obligations are classified as capital leases payable in the financial statements. The following is a schedule of the future minimum lease payments for the above capital leases and the present values of minimum lease payments at December 31, 2010.

<u>YEAR</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2011	\$7,608
2012	7,608
2013	4,438
Less Amount Represent Interest	<u>(2,265)</u>
Present Value of Future Minimum Lease Payments	\$17,389

At December 31, 2010 the County had entered into various operating leases, with terms ranging in length from one to twenty-two years, for office space and equipment. The total future rental payment for these leases is \$2,835,702. Of this amount, \$2,745,945 represents future rental payments for the occupation of buildings. Operating lease payments are recorded in the period they are paid. These operating leases all have required monthly payments and some have renewal options available.

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

<u>Year</u>	<u>Amount</u>
2011	\$ 575,716
2012	478,447
2013	463,660
2014	342,879
2015	325,000
2016-2017	<u>650,000</u>
	\$2,835,702

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – LONG-TERM DEBT (CONTINUED)

Unvoted general obligation bonds issued for governmental purposes of the County will be retired from the debt service fund using unvoted general property tax revenue. General obligation bonds issued for enterprise fund purposes will be retired from charges for services in the enterprise funds. Special assessment debt will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the County. Special assessment bonds are not included in capital assets, net of related debt for governmental activities since the debt is being used to pay for business-type capital assets.

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

In 2005, the county issued \$17,871,000 in general obligation bonds and \$159,000 in special assessment bonds. The entire amount of the \$159,000 in special assessment bonds was issued to advance refund \$150,000 of existing 1991 water improvement bonds. Of the total amount of new general obligation bonds issued in 2005, \$636,000 was issued to advance refund \$615,000 of existing 1991 Forensic Crime Laboratory Bonds and \$1,735,000 was issued to advance refund \$1,665,000 of existing 1995 Human Services Center Bonds. This refunding was undertaken to reduce future debt service payments. The remaining portion of the general obligation bonds, \$15,500,000, was issued to retire short-term note debt which was issued to finance building improvements to the County Courthouse and the County Auditor's and County Treasurer's offices. Proceeds of \$2,541,577 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. At December 31, 2010, \$880,000 of these bonds are considered defeased. Accordingly, the trust account assets and the liability for this defeased bond issue are not included in the County's financial statements.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – LONG-TERM DEBT (CONTINUED)

Ohio Water Development Authority (OWDA) loans are direct obligations of the enterprise funds. Administration of principal and interest is managed directly by the Department of Utilities. The loans are secured by the assets to which they are related. The OWDA loans are retired primarily from user fees, although special assessments from customers retire some OWDA loans.

Other long-term obligations consist of an agreement with the City of Willoughby Hills whereby the County acquired various land and plant facilities from the City. In exchange, the County has agreed to pay directly to the City, when due, amounts sufficient to service the City's long-term debt funding requirements relating to the assets acquired. This obligation, amounting to \$384,311 as of the balance sheet date, is to be financed from wastewater revenues. The agreement further provides for the reconveyance of the assets and the responsibility for servicing the related indebtedness to the City in the event disposition of such by the County is desired or found necessary. Additional other long-term obligations are interest-free loans from the Ohio Public Works Commission. Two are for governmental activities for road repairs and one is for business-type activities for wastewater system improvements.

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – LONG-TERM DEBT (CONTINUED)

The County has pledged future wastewater revenues to repay OWDA loans and OPWC loans. All of the debt is solely payable from net revenues and are payable through 2029. Annual principal and interest payments on the wastewater debt are expected to require 63 percent of net revenue and 23 percent of total revenues. The total principal and interest remaining to be paid on the wastewater debt is \$28,393,400. Principal and interest paid for the year for the wastewater debt was \$3,609,120, total net revenues were \$5,773,877 and total revenues were \$15,610,529.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. At December 31, 2010, the County had an unvoted debt margin of \$43.8 million and a direct debt margin of \$137.4 million.

Conduit Debt Obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2010, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$127,575,000.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE I – NOTES PAYABLE

A summary of note transactions for the year ended December 31, 2010 follows:

Year Issued	Purpose/Description	Interest Rate	Final Maturity	Balance January 1, 2010	Principal Issued in 2010	Principal Retired in 2010	Balance December 31, 2010
<u>GENERAL OBLIGATION NOTES PAYABLE:</u>							
2009	County Garage Purchase and Renovation	2.00%	2010	\$3,000,000	\$ 0	\$3,000,000	\$ 0
2010	County Garage Purchase and Renovation	1.00%	2010	0	3,000,000	3,000,000	0
2010	County Garage Purchase and Renovation	1.00%	2010	<u>0</u>	<u>2,900,000</u>	<u>0</u>	<u>2,900,000</u>
TOTAL GENERAL OBLIGATIONS NOTES				<u>\$3,000,000</u>	<u>\$5,900,000</u>	<u>\$6,000,000</u>	<u>\$2,900,000</u>
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS:</u>							
<u>Payable from Water Funds:</u>							
1991	Ohio Water & Sewer Rotary Commission		2011	\$ 23,427	\$ 0	\$ 0	\$ 23,427
2009	Water District Improvement Note 296W	1.125%	2010	550,000	0	550,000	0
2009	Water District Improvement Note 302W	1.125%	2010	1,000,000	0	1,000,000	0
2010	Water District Improvement Note 302W	1.125%	2011	<u>0</u>	<u>750,000</u>	<u>0</u>	<u>750,000</u>
Total Notes Payable From Water Funds				<u>\$1,573,427</u>	<u>\$ 750,000</u>	<u>\$1,550,000</u>	<u>\$ 773,427</u>
<u>Payable From Wastewater Funds:</u>							
2009	Sewer District Improvement Note 294S	1.50%	2010	\$ 720,000	\$ 0	\$ 720,000	\$ 0
2009	Sewer District Improvement Note 284S	1.50%	2010	5,220,000	0	5,220,000	0
2009	Sewer District Improvement Note 314S	1.125%	2010	150,000	0	150,000	0

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE I – NOTES PAYABLE (CONTINUED)

A summary of note transactions for the year ended December 31, 2010 follows:

Year Issued	Purpose/Description	Interest Rate	Final Maturity	Balance January 1, 2010	Principal Issued in 2010	Principal Retired in 2010	Balance December 31, 2010
<u>NOTES PAYABLE FROM ENTERPRISE FUNDS (Continued):</u>							
<u>Payable from Wastewater Funds (continued):</u>							
2009	Sewer District Improvement Note 285S	1.125%	2010	\$ 1,650,000	\$ 0	\$1,650,000	\$ 0
2010	Sewer District Improvement Note 294S	1.50%	2011	0	540,000	0	540,000
2010	Sewer District Improvement Note 284S	1.50%	2011	0	5,220,000	0	5,220,000
2010	Sewer District Improvement Note 314S	1.250%	2010	0	120,000	0	120,000
2010	Sewer District Improvement Note 285S	1.250%	2010	<u>0</u>	<u>1,320,000</u>	<u>0</u>	<u>1,320,000</u>
Total Notes Payable From Wastewater Revenues				<u>\$7,740,000</u>	<u>\$7,200,000</u>	<u>\$7,740,000</u>	<u>\$7,200,000</u>
<u>Payable from Solid Waste Funds</u>							
2009	Solid Waste District Area C4 Phase 4 Note	1.50%	2010	\$ 960,000	\$ 0	\$ 960,000	\$ 0
2010	Solid Waste District Area C4 Phase 4 Note	1.50%	2011	<u>0</u>	<u>760,000</u>	<u>0</u>	<u>760,000</u>
Total Notes Payable from Solidwaste Revenues				<u>\$ 960,000</u>	<u>\$ 760,000</u>	<u>\$ 960,000</u>	<u>\$ 760,000</u>
TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS				<u>\$10,273,427</u>	<u>\$ 8,710,000</u>	<u>\$10,250,000</u>	<u>\$ 8,733,427</u>

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

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Pension Benefits

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for non law enforcement units and 18.1 percent of covered payroll for law enforcement units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, the members of all three plans, except those in law enforcement participating in the Traditional Plan, were required to contribute 10.00 percent of their annual covered salaries. Law enforcement members exist only within the Traditional Plan and they contributed 11.10 percent of their annual covered salary. For 2010, member and employer contribution rates were consistent across all three plans. The County's contribution rate for pension benefits for 2010 for non law enforcement members was 8.50 percent from January 1 through February 28, 2010 and 9.00 percent from March 1 through December 31, 2010. The County's contribution rate for pension benefits for 2010 for law enforcement members was 12.37 percent from January 1 through February 28, 2010 and 12.87 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$7,679,294, \$7,168,051

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

Pension Benefits (Continued)

and \$6,152,664, respectively; 100 percent has been contributed for 2010, 2009 and 2008. Contributions to the Member-Directed Plan for 2010 were \$221,200 made by the County and \$158,000 made by the plan members.

Other Postemployment Benefits (OPEB)

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

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

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

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to the Traditional and Combined Plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The 2010 employer contribution rate for non law enforcement members was 14.00 percent for covered payroll; 5.50 percent was the portion that was used to fund health care from January 1 through February 28, 2010 and 5.00 percent from March 1 through December 31, 2010. The law enforcement employer rate for 2010 was 17.87 percent and 5.50 percent was used to fund health care from January 1 through February 28, 2010 and 5.00 percent from March 1 through

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Other Postemployment Benefits (OPEB) (Continued)

December 31, 2010. The County's actual contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$4,290,801, \$5,042,952, and \$6,024,030, which were equal to the required contribution.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates for non law enforcement members increased each year from 2006 to 2008. Rates for law enforcement members increased over a six year period beginning January 1, 2006 with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Pension Benefits

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling 1-888-227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) (Continued)

Pension Benefits (Continued)

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for years ended December 31, 2010, 2009, and 2008 were \$56,248, \$74,868, and \$77,448, respectively; 100 percent has been contributed for fiscal year 2010, 2009, and 2008. Currently, all members are enrolled in the DB Plan.

Other Postemployment Benefits (OPEB)

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contribution. For 2010, STSR Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal year ended June 30, 2010, 2009, and 2008 were \$4,327, \$5,348, and \$5,958, respectively, which equaled the required amount.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – PROPERTY TAX REVENUES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2009 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010 lien date. Assessed values are established by State law at 35% of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value. Public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010 and are collected in 2011 with real property taxes.

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

The full tax rate for all County operations for the year ended December 31, 2010, was \$10.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$5,971,596,640
Public Utility Personal Property	361,650,070
Tangible Personal Property	<u>5,279,582</u>
Total Assessed Value	<u>\$6,338,526,292</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – PROPERTY TAX REVENUES (CONTINUED)

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property tax receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2010 operations. The receivable is therefore offset by a credit to deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE L – RECEIVABLES AND INTERGOVERNMENTAL REVENUES

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services, including unbilled utility services), special assessments, accrued interest and intergovernmental receivables arising from grants and entitlements. All receivables are considered fully collectible, including accounts receivable which, if delinquent may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Special assessments expected to be collected in more than one year amount to \$10,290,004 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$142,820.

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

GENERAL FUND

Homestead and Rollbacks	\$1,864,879
Ohio Local Government Fund Distribution	1,862,213
State Property Tax Reimbursement	972,346
Utility Deregulation Reimbursement	699,920
State Public Defender Reimbursement	687,019
Board of Elections Reimbursements	351,113
Juvenile Group/Detention Home Subsidies	273,647
Planning Commission Grants	100,000
Mental Health Grant	36,555
Local Airport Grant	25,000
Sheriff's Grants & Reimbursements	14,106
Miscellaneous Reimbursements	<u>11,119</u>
Total – General Fund	<u>\$6,897,917</u>

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE L – RECEIVABLES AND INTERGOVERNMENTAL REVENUES (CONTINUED)

SPECIAL REVENUE FUNDS

Federal and State Mental Retardation Grants	\$16,497,558
Federal and State Mental Health Grants	13,902,685
State Transportation Taxes	11,867,695
Federal and State Public Assistance Grants and Reimbursements	10,432,501
Homestead and Rollbacks	4,135,966
State Property Tax Reimbursement	3,746,124
Child Support Enforcement Incentives	3,044,478
Community and Economic Development Grants	2,954,377
Utility Deregulation Reimbursement	2,625,011
Federal and State Children's Services Grants and Reimbursements	1,857,733
Community Corrections Grant	1,172,247
Public Safety Grants and Reimbursement	689,067
State Probation Grants	588,026
Prosecutor's Victims Assistance Grant	299,854
Drug/Alcohol Grants	232,704
Communication System Subsidies	<u>9,000</u>
Total – Special Revenue Funds	<u>74,055,026</u>

CAPITAL PROJECT FUNDS

Communication System Grants	3,027,661
Transportation Grants	<u>225,015</u>
Total – Capital Project Funds	<u>3,252,676</u>

TOTAL INTERGOVERNMENTAL REVENUES \$84,205,619

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2010, consisted of the following:

TRANSFERS FROM	TRANSFERS TO					TOTALS
	GENERAL FUND	NONMAJOR SPECIAL REVENUE	NONMAJOR DEBT SERVICE	NONMAJOR CAPITAL PROJECTS	NONMAJOR INTERNAL SERVICE	
General	\$ 0	\$ 921,949	\$3,266,650	\$ 0	\$509,250	\$4,697,849
Water	0	50,000	0	0	0	50,000
Nonmajor Special Revenue	0	5,035,823	228,987	550,000	0	5,814,810
Nonmajor Capital Project	<u>686,301</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>686,301</u>
Totals	<u>\$686,301</u>	<u>\$6,007,772</u>	<u>\$3,495,637</u>	<u>\$550,000</u>	<u>\$509,250</u>	<u>\$11,248,960</u>

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE N – ENCUMBRANCES

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

At December 31, 2010, encumbrances outstanding in governmental funds and proprietary funds which were reappropriated in the 2011 budget were:

General Fund	\$ 241,920
DD Board	752,502
ADAMHS Board	375
Non-Major Special Revenue Funds	1,122,336
Non-Major Capital Projects Funds	556,604
Enterprise Funds	156,695
Non-Major Internal Service Funds	4,687
Total	<u>\$2,835,119</u>

On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2010 encumbrances less these accrued liabilities were:

General Fund	\$ 138,696
DD Board	695,526
ADAMHS Board	375
Non-Major Special Revenue Funds	844,149
Non-Major Capital Projects Funds	496,122
Enterprise Funds	150,363
Non-Major Internal Service Funds	0
Total	<u>\$2,325,231</u>

NOTE O – CONTINGENCIES, JUDGEMENTS AND CLAIMS

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

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE P – LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of the balance sheet date. The \$17.9 million reported as landfill closure and post closure care liability at December 31, 2010, represents the cumulative amount reported to date based on the use of 83% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$4.7 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2010. The County expects to close the landfill in the year 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE Q – RELATED PARTY TRANSACTIONS

During 2010, Lake County provided facilities, certain equipment, transportation, and salaries for administration, implementation, and supervision of programs to Deepwood Industries, Inc., (the "Workshop"), a discretely presented component unit of Lake County. The Workshop reported \$72,762 for such contributions, recording revenue and expenses at cost or fair value, as applicable, to the extent the contribution is related to the vocational purposes of the Workshop.

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE R – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County contracted with CORSA (County Risk Sharing Authority, Inc.) for property and general liability coverage including automobiles, equipment and public officials liability. The County also maintains health-care benefits, as well as additional property and general liability coverage, from private carriers. There were no significant reductions in coverage in 2010 as compared to the previous year. Insurance premiums paid to private carriers during 2010 were approximately \$0.9 million. The amount of settlements did not exceed the coverage for each of the past three years. The County pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

In 1999, the County Commissioners initiated a self-insurance program for medical prescription coverage only. Then in 2004, the Commissioners initiated a self-insurance program for dental coverage. The maintenance of these benefits is accounted for in the Prescription Self-Insurance and the Dental Self-Insurance funds, respectively, both of which are Internal Service funds. Incurred, but not reported, prescription claims of \$155,778 and dental claims of \$57,003, have been accrued based upon a review of the January, 2011 billings provided by the County Commissioners' Office.

The total claims liability of \$212,781 reported in the internal service fund at December 31, 2010, is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of cost relating to incurred but not reported claims, be reported. The estimates were not affected by incremental claims adjustments expenses and do not include other allocated or unallocated claims adjustment expenses. Changes in the funds claims liability amounts for the last three fiscal years were:

	Balance at Beginning Of Year	Current Year Claims	Claim Payments	Balance at End of Year
<u>Prescription</u>				
2008	\$ 49,970	\$2,891,011	\$2,813,962	\$ 127,019
2009	127,019	3,201,903	3,160,912	168,010
2010	168,010	3,312,480	3,324,712	155,778
<u>Dental</u>				
2008	4,048	616,553	591,362	29,239
2009	29,239	628,834	634,087	23,986
2010	23,986	658,253	625,236	57,003

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE S – PUBLIC ENTITY RISK POOLS

COUNTY RISK SHARING AUTHORITY

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

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2010 was \$859,855.

NOTE T – DEFICIT FUND BALANCES/NET ASSETS

At December 31, 2010, the following funds had deficit fund balances/net assets:

Juvenile Court Computerization	\$ 141,621
County Garage Purchase and Renovation	2,749,771
Garage	111,591

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

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

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

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

LAKE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE U – SUBSEQUENT EVENTS

On July 6, 2011, the County retired \$6,520,000 in bond anticipation notes and reissued \$5,940,000 in notes for various utility projects which include the Kirtland Sanitary Sewer Improvement Project No. 284S, Forest Road and Garden Drive Sanitary Sewer Project No. 294S, and Solid Waste Landfill Excavation Project C4-Phase 4 (290L). The new notes have an interest rate of 1.50 percent and mature on June 28, 2012.

On August 4, 2011, the County retired \$2,190,000 in bond anticipation notes and reissued \$1,580,000 in notes for various utility projects which include the Routes 91 & 84 Transmission Project No. 302W, Chapel Road Interceptor Sewer Project No. 285S, and Bellflower Area Sanitary Sewer Project No. 314-S. The new notes have an interest rate of 1.00 percent and mature on August 2, 2012.

On August 4, 2011, the County retired \$2,900,000 in bond anticipation notes and reissued \$2,850,000 in notes for the improvement of the County Service Garage. The new notes have an interest rate of 1.00 percent and mature on August 2, 2012.

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LAKE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity/Grant Number	CFDA Number	Cash Disbursements	Non-Cash Disbursements
U. S. Department of Agriculture				
<i>Passed Through The Ohio Department of Education:</i>				
Nation School Breakfast Program	N/A	10.553	\$28,110	\$0
National School Lunch Program	N/A	10.555	45,227	3,579
Total Nutrition Cluster			73,337	3,579
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>				
Supplemental Nutrition Assistance Program- (Employment Training)	JFSFF109	10.561	485	0
Supplemental Nutrition Assistance Program (SNAP)	JFSFFB10	10.561	455,138	0
Supplemental Nutrition Assistance Program	JFSFFB11	10.561	133,076	0
Department of Development SNAP	JFSFFB10	10.561	158,555	0
ARRA - Supplemental Nutrition Assistance Program	JFSFFB09S	10.561	40,840	0
Total CFDA #10.561			788,094	0
Total U. S. Department of Agriculture			861,431	3,579
U. S. Department of Education				
<i>Passed Through The Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education: Grants to States	070037-6BSF-2010P	84.027	76,111	0
Special Education: Grants to States	070037-6BSF-2010P	84.027	6,890	0
Subtotal CFDA #84.027			83,001	0
Special Education: Preschool Grants	070037-PGS1-2010P	84.173	16,389	0
Special Education: Preschool Grants	070037-PGS1-2011P	84.173	1,634	0
Subtotal CFDA #84.173			18,023	0
ARRA- Special Education Grants to States Recovery Act	N/A	84.391	79,173	
ARRA - Special Education: Preschool Grant	N/A	84.392	515	0
Total Special Education Cluster			180,712	0
Total U.S. Department of Education			180,712	0
U. S. Department of Homeland Security				
<i>Passed Through The Ohio Emergency Management Agency:</i>				
<i>Pass Through The Agency Ohio Management Agency:</i>				
Emergency Management Performance Grant (FY 09)	DPSFE146	97.042	84,962	0
Emergency Management Performance Grant (FY10)	DPSFE150	97.042	36,631	0
Emergency Management Performance Grant	DPSFE122	97.042	64,902	0
Subtotal CFDA #97.042			186,495	0
State Homeland Security Program (FY 2007)	E102	97.067	5,146	0
State Homeland Security Program (FY 2008)	E130	97.067	19,568	0
State Homeland Security Program (FY 2008)	E130	97.067	2,423	0
State Homeland Security Program (FY 2009)	DPSFE146	97.067	9,535	0
Law Enforcement Terrorism Prevention	12825	97.067	25,504	0
Law Enforcement Terrorism Prevention (FY 2010)	2008-ge-t8-0025	97.067	39,752	0
Subtotal CFDA #97.067			101,928	0
Total U. S. Department of Homeland Security			288,423	0

(Continued)

LAKE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity/Grant Number	CFDA Number	Cash Disbursements	Non-Cash Disbursements
<u>U. S. Department of Housing and Urban Development</u>				
<i>Direct Programs:</i>				
Community Development Block Grants/Entitlements	B-08-UC-390005	14.218	\$769,753	\$0
Community Development Block Grants/Entitlements	B-07-UC-390007	14.218	167,408	0
Subtotal CFDA #14.218			937,161	0
ARRA-Community Development Block Grants/Entitlements	N/A	14.253	222,280	
Home Investment Partnerships Program	M-06-UC-390201	14.239	132,222	0
Home Investment Partnerships Program	M-07-UC-390201	14.239	75,557	0
Home Investment Partnerships Program	M-08-UC-390201	14.239	97,641	0
Home Investment Partnerships Program	M-09-UC-390201	14.239	155,939	0
Subtotal CFDA #14.239			461,359	0
Neighborhood Stabilization	N/A	14.256	146,157	0
ARRA-Energy Efficiency and Conservation Block Grant	N/A	81.128	355,217	0
ARRA- Homeless Prevention and Rapid Rehousing Program	N/A	14.257	215,850	0
HUD Shelter Plus Care I,II,III (FY 2010)	N/A	14.238	132,131	0
HUD Shelter Plus Care I,II,III (FY 2011)	N/A	14.238	188,524	0
Subtotal CFDA #14.238			320,655	0
Total U.S. Department of Housing and Urban Development			2,658,679	0
<u>U.S. Federal Highway Administration</u>				
<i>Passed Through The Ohio Department of Transportation:</i>				
Highway Planning and Construction	N/A	20.205	1,593,846	0
ARRA Highway Planning and Construction	N/A	20.205	2,257,856	0
Total U.S. Federal Highway Administration			3,851,702	0
<u>U. S. Department of Labor</u>				
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>				
<i>Passed Through Area 5 Workforce Investment Board:</i>				
Workforce Investment Act (WIA) Cluster:				
WIA Adult Programs (FY 2009) - Administrative	JFSFAF09	17.258	4,671	0
WIA Adult Programs (SFY 2010)- Administrative	JFSFAF10	17.258	27,538	0
WIA Adult Programs (PY 2009)- Administrative	JFSFAF09	17.258	400	0
WIA Adult Programs (FY 2010)	JFSFAF10	17.258	206,854	0
WIA Adult Programs (PY 2009)	JFSFAP09	17.258	12,452	0
WIA Adult Programs (PY 2010)	JFSFAP10	17.258	24,010	0
WIA-Special Project	JFSFSW10	17.258	56,035	0
ARRA WIA Adult Programs administrative	JFSFAF10S	17.258	9,916	0
AARA - WIA Adult Programs	JFSFAF09S	17.258	70,113	0
ARRA -Ohio Learns Accountnts	JFSFW10S	17.258	212,155	0
ARRA-Project HIRE	JFSFW10S	17.258	1,400	0
One Stop Resource Sharing (SFY 2010)	JFSFES10	17.258	164	0
One Stop Resource Sharing (SFY 2011)	JFSFES09	17.258	158	0
Subtotal CFDA #17.258			625,866	0
WIA Youth Programs (SFY 2008)	JFSFYP08	17.259	121,842	0
WIA Youth Programs (SFY 2009)	JFSFYP09	17.259	297,539	0
WIA Youth Programs (SFY 2010)	JFSFYP10	17.259	107,014	0
AARA - WIA Youth Programs	JFSFYP09S	17.259	10,480	0
AARA - WIA Youth Programs	JFSFYP09S	17.259	80,876	0
Subtotal CFDA #17.259			617,751	0

(Continued)

LAKE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity/Grant Number	CFDA Number	Cash Disbursements	Non-Cash Disbursements
WIA Dislocated Workers (SFY 2009)-Administrative	JFSFDP09	17.260	\$5,294	\$0
WIA Dislocated Workers (SFY 2010)	JFSFDP10	17.260	223,805	0
WIA Dislocated Workers (PY 2009)	JFSFDP09	17.260	1,796	0
AARA - WIA Dislocated Workers	JFSFYF09S	17.260	105,669	0
WIA - Rapid Response (FY 2010)	JFSFDF10	17.260	90,080	0
ARRA - Rapid Response	JFSFDF09S	17.260	191,718	0
Subtotal CFDA #17.260			618,362	0
Total WIA Cluster			1,861,979	0
WIA Dislocated Workers (PY 2010)	JFSFDP10	17.278	289,099	0
One Stop Resource Sharing (SFY10)	JFSFES09	17.207	31,762	0
One Stop Resource Sharing (SFY11)	JFSFES10	17.207	12,343	0
Subtotal CFDA #17.207			44,105	0
One Stop Resource Sharing (SFY10)	JFSFES09	17.801	6,852	0
One Stop Resource Sharing (SFY10)	JFSFES10	17.801	1,900	0
One Stop Resource Sharing (SFY11)	JFSFES11	17.801	3,007	0
Subtotal CFDA #17.801			11,759	0
One Stop Resource Sharing (SFY10)	JFSFES09	17.804	322	0
One Stop Resource Sharing (SFY10)	JFSFES10	17.804	90	0
One Stop Resource Sharing (SFY11)	JFSFES11	17.804	316	0
Subtotal CFDA #17.804			728	0
Total U. S. Department of Labor			2,207,670	0
U. S. Department of Justice				
<i>Direct Program:</i>				
ARRA Edward Byrne Memorial Justice Assistance Grant	2009-SB-B9-2875	16.804	23,095	0
<i>Passed Through The Ohio Office of Criminal Justice Services:</i>				
Violence Against Women Assistance	2009-WF-VA5-8211	16.588	42,528	0
Violence Against Women Assistance	2006-WF-VA5-8211A	16.588	4,370	0
Violence Against Women Assistance	2007-WF-VA5-8211A	16.588	2,546	0
Subtotal CFDA #16.588			49,444	0
Justice Assistance Grant	2009-JG-A01-6447	16.738	78,000	0
Forensic DNA Capacity Enhancement Program	2007-DN-BX-K031	16.741	33,703	0
Laboratory Employees Training (2009)	2009-PC-NFS-7802	16.742	23,683	0
Paul Coverdell Forensic Science Improvement Grant	2008-CD-BX-0054	16.742	39,645	0
Subtotal CFDA #16.742			63,328	0
Total Ohio Office of Criminal Justice Services			224,475	0
<i>Passed Through The Ohio Attorney General's Office:</i>				
Crime Victims Assistance	2011VAGENE039T	16.575	34,995	0
Crime Victims Assistance	2010VAGENE039T	16.575	106,958	0
Total Ohio Attorney General's Office			141,953	0
Total U.S. Department of Justice			389,523	0

(Continued)

LAKE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity/Grant Number	CFDA Number	Cash Disbursements	Non-Cash Disbursements
<u>U. S. Department of Health and Human Services</u>				
<i>Direct Program:</i>				
Supplemental Security Income	N/A	96.006	\$1,750	\$0
<i>Passed Through The Ohio Department of Alcohol & Drug Addiction Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse:				
ADA Per Capita (SFY 2010)	BG43	93.959	325,112	0
ADA Per Capita (SFY 2011)	BG43	93.959	159,534	0
ADA Women's Set Aside (SFY 2010)	43-01316-WOMEN-T-09-9013	93.959	36,172	0
ADA Women's Set Aside (SFY 2011)	43-01316-WOMEN-T-10-9013	93.959	36,173	0
TANF Prevention (SFY 2010)	N/A	93.959	16,783	0
TANF Prevention (SFY 2011)	N/A	93.959	16,783	0
Subtotal CFDA #93.959			<u>590,557</u>	<u>0</u>
Medicaid (ADA) (2010)	N/A	93.778	798,338	0
ARRA-Medicaid (ADA) (2010)	N/A	93.778	81,505	0
Subtotal CFDA #93.778			<u>879,843</u>	<u>0</u>
Total Ohio Department of Alcohol & Drug Addiction Services			<u>1,470,400</u>	<u>0</u>
<i>Passed Through The Ohio Department of Mental Health:</i>				
Project for Assistance Transition from Homelessness (SFY 2010)				
	N/A	93.150	25,000	0
Project for Assistance Transition from Homelessness (SFY 2011)				
	N/A	93.150	25,000	0
Subtotal CFDA #93.150			<u>50,000</u>	<u>0</u>
Early Childhood Initiative (SFY 2010)	N/A	93.556	24,662	0
Early Childhood Initiative (SFY 2011)	N/A	93.556	24,662	0
Subtotal CFDA #93.556			<u>49,324</u>	<u>0</u>
Block Grants for Community Mental Health Services:				
Mental Health Block Grant - (SFY 2009)	N/A	93.958	46,030	0
Mental Health Block Grant - (SFY 2010)	N/A	93.958	46,032	0
Subtotal CFDA #93.958			<u>92,062</u>	<u>0</u>
Social Services Block Grant - (SFY 2010)	N/A	93.667	85,187	0
Social Services Block Grant - (SFY 2011)	N/A	93.667	31,583	0
Subtotal CFDA #93.667			<u>116,770</u>	<u>0</u>
Medical Assistance Program (MH)-(2010)	N/A	93.778	7,222,544	0
ARRA - Medical Assistance Program (MH)- (2010)	N/A	93.778	721,699	0
Subtotal CFDA #93.778			<u>7,944,243</u>	<u>0</u>
Total Ohio Department of Mental Health			<u>8,252,399</u>	<u>0</u>

(Continued)

LAKE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity/Grant Number	CFDA Number	Cash Disbursements	Non-Cash Disbursements
<i>Passed Through The Ohio Department of Developmental Disabilities (DD):</i>				
Social Services Block Grant (Title XX) -(2009)	N/A	93.667	\$174,970	\$0
AARA - Medical Assistance Program (2009)	N/A	93.778	443,462	0
Medicaid Administrative Claims (2009)	N/A	93.778	114,954	0
Subtotal CFDA #93.778			558,416	0
Total Ohio Department of DD			733,386	0
<i>Passed Through The Ohio Department of Jobs and Family Services:</i>				
Chaffe Foster Care Independence Program	JFSFIL10	93.674	25,734	0
Chaffe Foster Care Independence Program	JFSFIL11	93.674	1,846	0
Subtotal CFDA #93.674			27,580	0
IV-B Administrative	JFSFCW10	93.645	1,615	0
IV-B Administrative	JFSFCW11	93.645	4,844	0
IV-B	JFSFPF10	93.645	16,146	0
IV-B	JFSFPF11	93.645	48,439	0
Subtotal CFDA #93.645			71,044	0
Child Welfare Services- ESSA Preservation - Operations	JFSFPF10	93.556	1,695	0
Child Welfare Services- ESSA Preservation - Operations	JFSFPF11	93.556	5,083	0
Child Welfare Services- ESSA Preservation - Services	JFSFPF10	93.556	1,591	0
Child Welfare Services- ESSA Preservation -Services	JFSFPF11	93.556	567	0
Child Welfare Services- ESSA Reunification -Operations	JFSFPF10	93.556	1,485	0
Child Welfare Services- ESSA Reunification -Operations	JFSFPF11	93.556	4,456	0
Child Welfare Services- ESSA Reunification -Services	JFSFPF10	93.556	11,511	0
Child Welfare Services- ESSA Reunification -Services	JFSFPF11	93.556	2,385	0
Caseworker Visits-Administrative	JFSFMC10	93.556	83	0
Caseworker Visits-Adminstrative	JFSFMC11	93.556	249	0
Caseworker Visits	JFSFMC10	93.556	747	0
Caseworker Visits	JFSFMC11	93.556	2,240	0
Post Adoption Special Services	JFSFPF10	93.556	32,404	0
Post Adoption Special Services	JFSFPF11	93.556	7,589	0
Subtotal CFDA #93.556			72,085	0
TANF - Administrative	JFSFTF10	93.558	1,280,152	0
TANF - Administrative	JFSFTF11	93.558	216,264	0
TANF	JFSFTF10	93.558	958,595	0
TANF	JFSFTF11	93.558	971,618	0
Child care services-TANF	JFSFTF10	93.558	25,267	0
Subtotal CFDA #93.558			3,451,896	0
Quality Child Care Services	JFSFCD10	93.575	11,345	0
Quality Child Care Services	JFSFCD11	93.575	4,160	0
Subtotal CFDA #93.575			15,505	0
Child Care - Administrative	JFSFCM10	93.596	16,315	0
Child Care - Administrative	JFSFCM10	93.596	2,786	0
Child Care - Administrative	JFSFCM11	93.596	19,711	0
Child Care	JFSFCM10	93.596	22,433	0
Child Care	JFSFCM10	93.596	58,770	0
Child Care	JFSFCM11	93.596	55,849	0
Subtotal CFDA #93.596			175,864	0
Total Child Care Cluster			191,369	0

(Continued)

LAKE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity/Grant Number	CFDA Number	Cash Disbursements	Non-Cash Disbursements
IV-E Administrative/Training (FCM)	JFSFAA10	93.658	\$154,687	\$0
IV-E Maintenance	N/A	93.658	1,285,801	0
ARRA IV-E Administrative/Training (FCM)	N/A	93.658	123,938	0
Subtotal CFDA #93.658			<u>1,564,426</u>	<u>0</u>
Non-reoccurring Adoption	JFSFAA10	93.659	522	0
Adoption Assistance	JFSFSTFO	93.659	625,670	0
Abuse and Neglect	JFSFSTFO09	93.659	2,000	0
Subtotal CFDA #93.659			<u>628,192</u>	<u>0</u>
IV-D Service Grant- Domestic Relations	N/A	93.563	227,410	0
IV-D Service Grant- Juvenile	N/A	93.563	230,765	0
Federal Child Support	JFSFCS10	93.563	694,387	0
Federal Child Support	JFSFCS11	93.563	515,349	0
ARRA - Child Support Enforcement	JFSFCS09S	93.563	1,084,081	0
Subtotal CFDA #93.563			<u>2,751,992</u>	<u>0</u>
Title XX Base	JFSFSS10	93.667	272,707	0
Title XX Base	JFSFSS11	93.667	142,310	0
Title XX - TANF Transfer	JFSFTX10	93.667	560,387	0
Subtotal CFDA #93.667			<u>975,404</u>	<u>0</u>
Medicaid	JFSFMT10	93.778	447,524	0
Medicaid	JFSFMT11	93.778	134,722	0
Medicaid-net	JFSFMT10	93.778	182,940	0
Medicaid-net	JFSFMT11	93.778	121,226	0
Subtotal CFDA #93.778			<u>886,412</u>	<u>0</u>
Total Ohio Department of Jobs and Family Services			<u>10,620,400</u>	<u>0</u>
<i>Passed Through The Ohio Department of Health:</i>				
VAWA Rape Prevention	43-1-002-4-VW-04-11	93.136	7,554	0
VAWA Rape Prevention	43-1-002-4-VW-03-10	93.136	49,932	0
Subtotal CFDA #93.136			<u>57,486</u>	<u>0</u>
Total Ohio Department of Health			<u>57,486</u>	<u>0</u>
<i>Passed Through the Ohio Secretary of State:</i>				
Help America Vote - Poll Worker Training Grant- (2009)	N/A	93.617	3,250	0
Voting Access for Individuals with Disabilities Grants to States	N/A	90.401	2,872	0
Total Ohio Secretary of State			<u>6,122</u>	<u>0</u>
Total U.S. Department of Health and Human Services			<u>21,141,943</u>	<u>0</u>
<u>U.S. Department of Commerce</u>				
Direct Program:				
Public Safety Interoperable Communications Grant	N/A	11.555	3,027,661	0
Total U.S. Department of Commerce			<u>3,027,661</u>	<u>0</u>
<u>U. S. Department of Defense</u>				
Direct Program:				
U.S. Army Corps of Engineers	N/A	12.XXX	52,044	0
Total U.S. Department of Defense			<u>52,044</u>	<u>0</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$34,659,788</u>	<u>\$3,579</u>

See Notes to the Schedule of Federal Awards Expenditures

LAKE COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The County passes certain federal awards received from U.S. Department of Housing and Urban Development and U.S. Department of Health and Human Services to other governments or not-for-profit agencies (subrecipients). As Note A describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE C - CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - MATCHING REQUIREMENTS

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

NOTE F – TRANSFER BETWEEN PROGRAM

During fiscal year 2010, the County made allowable transfers of \$560,387 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent approximately \$3,451,896 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2009 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 4,012,283
Transfer to Social Services Block Grant	<u>(560,387)</u>
Total Temporary Assistance for Needy Families	<u>\$ 3,451,896</u>

During Fiscal year 2010, the County also made allowable transfers of \$25,267 from the Child Care Program (93.575) to the TANF program (93.558).

LAKE COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE G- CHILDCARE PROGRAM ADJUSTMENTS

The Ohio Department of Job and Family Services (ODJFS) sub-awarded to Lake County, Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, in July 2010 ODJFS adjusted some of the County's child care expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

Child Care Cluster	CFDA#	Pass Through	2009 Federal Expenditures Reported	July 2010 Adjustment	Adjusted 2009 Federal Expenditures Reported
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	\$2,089,957	(\$852,650)	\$1,237,307



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Lake County, Ohio (the County) as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 21, 2011.

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

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

Dave Yost
Auditor of State

September 21, 2011



Dave Yost • Auditor of State

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

Lake County
105 Main Street
Painesville, Ohio 44077

To the Board of County Commissioners:

Compliance

We have audited the compliance of Lake County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Lake County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

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

Dave Yost
Auditor of State

September 21, 2011

LAKE COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 93.778-Medical Assistance Program; CFDA # 10.561-Food Stamp (SNAP); CFDA # 93.563-Child Support Enforcement; CFDA # 17.258, 17.259, 17.260 - Workforce Investment Act Cluster CFDA # 20.205-Highway Planning and Construction CFDA # 11.555-Public Safety Interoperable Communications Grant; CFDA # 14.218, 14.253-Community Development Block Grant and ARRA Community Development Block Grant; CFDA # 14.238-HUD Shelter; and CFDA # 93.658-Foster Care.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 1,039,901 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

LAKE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

LAKE COUNTY FINANCIAL CONDITION

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 29, 2011