



Dave Yost • Auditor of State



**LAKE COUNTY**  
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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

### ***Report on the Financial Statements***

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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### **Opinion**

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, 2012, 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 Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The federal awards expenditures schedule presents additional analysis as 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 schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Columbus, Ohio

February 13, 2014

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# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited*

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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, 2012. 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 2012 are as follows:

In total, net position increased \$39,238,034. Net position of governmental activities increased \$24,828,616, which represents an 11 percent increase from 2011. Net position of business-type activities increased \$14,409,418 or 8 percent from 2011.

General revenues accounted for \$112,843,658 in revenue or 48 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$122,173,479 or 52 percent of total revenues of \$235,017,137.

Total assets of governmental activities increased by \$12,164,735, while total assets of business-type activities increased by \$11,302,160.

The County had \$164,053,280 in expenses related to governmental activities; only \$78,774,424 of these expenses were offset by program specific charges for services, grants or contributions. Additional general revenues of \$110,007,472 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 debt, short-term debt and compensated absences increased by \$2,151,819 during 2012.

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

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*Management's Discussion and Analysis  
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The *Statement of Net Position* 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 Position 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 2012?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 position and the change in that net position. This change in net position 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 Position 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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*Management's Discussion and Analysis  
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reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 22-28 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 29-32 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 33 of this report.

***Notes to the Basic Financial Statements:*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-83 of this report.

# LAKE COUNTY, OHIO

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

The following provides a summary of the County's Net Position for 2012 and 2011:

Table 1  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	\$ 176,135,677	\$ 161,971,665	\$ 59,932,845	\$ 48,784,729	\$ 236,068,522	\$ 210,756,394
Capital Assets	152,393,174	154,392,451	196,557,782	196,403,738	348,950,956	350,796,189
<b>Total Assets</b>	<b>328,528,851</b>	<b>316,364,116</b>	<b>256,490,627</b>	<b>245,188,467</b>	<b>585,019,478</b>	<b>561,552,583</b>
<b>Deferred Outflows of Resources</b>						
Deferred Refunding Loss	78,623	83,574	0	0	78,623	83,574
<b>Liabilities</b>						
Long Term Liabilities	40,554,220	38,246,683	44,440,519	42,596,237	84,994,739	80,842,920
Other Liabilities	5,055,334	11,058,445	9,251,994	14,203,534	14,307,328	25,261,979
<b>Total Liabilities</b>	<b>45,609,554</b>	<b>49,305,128</b>	<b>53,692,513</b>	<b>56,799,771</b>	<b>99,302,067</b>	<b>106,104,899</b>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows - Revenues	41,540,913	50,514,171	0	0	41,540,913	50,514,171
<b>Net Position</b>						
Net Investment in Capital Assets, Restricted	124,160,114	128,144,058	170,485,659	167,489,957	294,645,773	295,634,015
Unrestricted	39,451,505	18,714,477	32,312,455	20,898,739	71,763,960	39,613,216
<b>Total Net Position</b>	<b>\$ 241,457,007</b>	<b>\$ 216,628,391</b>	<b>\$ 202,798,114</b>	<b>\$ 188,388,696</b>	<b>\$ 444,255,121</b>	<b>\$ 405,017,087</b>

## LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$444,255,121 (\$241,457,007 in governmental activities and \$202,798,114 in business type activities) as of December 31, 2012.

A large portion of the County's net position \$294,645,773 (66 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 position, \$77,845,388 (18 percent), represent resources that are subject to external restriction on how they may be used. The remaining balance of \$71,763,960 (16 percent), of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

As of December 31, 2012, the County is able to report positive balances in all three categories of net position, 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 position in 2011.

Total assets increased \$23,466,895 which represented a 4 percent increase over 2011. Total assets of governmental activities increased \$12,164,735 primarily due to an increase in cash and cash equivalents of \$17.9 million related to increased sales tax collections and a \$3.9 million increase in special assessments receivable. This was offset by a \$1.9 million decrease in capital assets, and a \$13.0 million decrease in taxes receivable. Total assets of business-type activities increased \$11.3 million primarily due to a \$10.3 million increase in equity in pooled cash and cash equivalents.

Table 2 shows the changes in net position for the year ended December 31, 2012 and 2011.

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## Management's Discussion and Analysis For the Year Ended December 31, 2012 Unaudited

**Table 2 - Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Program Revenues:</b>						
Charges for Services	\$27,359,716	\$17,865,430	\$41,922,586	\$38,930,268	\$69,282,302	\$56,795,698
Operating Grants and Contributions	50,865,760	54,950,319			50,865,760	54,950,319
Capital Grant and Contributions	548,948	3,254,712	1,476,469	465,743	2,025,417	3,720,455
<b>Total Program Revenues</b>	<b>78,774,424</b>	<b>76,070,461</b>	<b>43,399,055</b>	<b>39,396,011</b>	<b>122,173,479</b>	<b>115,466,472</b>
<b>General Revenues:</b>						
Property Taxes	51,982,800	53,913,429		0	51,982,800	53,913,429
Sales Tax	26,083,650	13,984,233		0	26,083,650	13,984,233
Conveyance Tax	2,219,011	1,985,556		0	2,219,011	1,985,556
Lodging Tax	790,308	812,277		0	790,308	812,277
Grants and Entitlements not Restricted	13,433,353	11,124,851		0	13,433,353	11,124,851
Interest	1,396,050	1,672,427	9,975	15,251	1,406,025	1,687,678
Miscellaneous	14,102,300	9,483,812	2,826,211	885,528	16,928,511	10,369,340
<b>Total General Revenues</b>	<b>110,007,472</b>	<b>92,976,585</b>	<b>2,836,186</b>	<b>900,779</b>	<b>112,843,658</b>	<b>93,877,364</b>
<b>Total Revenues</b>	<b>188,781,896</b>	<b>169,047,046</b>	<b>46,235,241</b>	<b>40,296,790</b>	<b>235,017,137</b>	<b>209,343,836</b>
<b>Program Expenses</b>						
General Government	17,245,466	17,879,489			17,245,466	17,879,489
Judicial and Public Safety	41,066,872	41,323,303			41,066,872	41,323,303
Public Works	17,123,306	14,334,947			17,123,306	14,334,947
Human Services	63,794,908	66,694,639			63,794,908	66,694,639
Health	19,325,075	24,300,627			19,325,075	24,300,627
Community & Econ. Development	4,357,224	4,262,605			4,357,224	4,262,605
Interest and Fiscal Charges	1,140,429	1,211,607			1,140,429	1,211,607
Water District			10,639,760	11,878,439	10,639,760	11,878,439
Wastewater District			12,975,168	15,252,580	12,975,168	15,252,580
Solid Waste District			8,110,895	6,894,711	8,110,895	6,894,711
<b>Total Program Expenses</b>	<b>164,053,280</b>	<b>170,007,217</b>	<b>31,725,823</b>	<b>34,025,730</b>	<b>195,779,103</b>	<b>204,032,947</b>
Increase (Decrease) in Net Position Before Transfers	24,728,616	(960,171)	14,509,418	6,271,060	39,238,034	5,310,889
Transfers	100,000	100,000	(100,000)	(100,000)	0	0
<b>Change in Net Position</b>	<b>24,828,616</b>	<b>(860,171)</b>	<b>14,409,418</b>	<b>6,171,060</b>	<b>39,238,034</b>	<b>5,310,889</b>
Net Position - January 1 (Restated)	216,628,391	217,488,562	188,388,696	182,217,636	405,017,087	399,706,198
<b>Net Position - December 31</b>	<b>\$241,457,007</b>	<b>\$216,628,391</b>	<b>\$202,798,114</b>	<b>\$188,388,696</b>	<b>\$444,255,121</b>	<b>\$405,017,087</b>

Total governmental activities expenses decreased from \$170,007,217 in 2011 to \$164,053,280 in 2012. Of the total \$164 million in governmental activities expenses, \$27,359,716 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

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*Management's Discussion and Analysis  
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Unaudited*

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to judicial activity, licenses and permits associated with building inspectors, recording fees for deeds and title fees. Judicial and public safety charges for services include fees for prisoner housing and fines and forfeitures related to judicial activity. Human service charges for services include those provided to clients of the DD Board and the Childrens Services Fund. Motor vehicle license fees comprise the majority of public works charges.

For governmental activities, operating grants and contributions decreased from \$54,950,319 in 2011 to \$50,865,760 in 2012 due to a decrease in grants received. Property taxes decreased by 4 percent as compared to 2011 due to a slight decline in the overall valuation of the County. Sales tax revenue increased by 87 percent. In January of 2012 the Board of Commissioners approved a one-half percent sales tax which became effective April 1, 2012 with the first collection of sales tax in July 2012. Real estate conveyance taxes increased 12 percent as the local and national real estate sales market continued its upward trend. Interest revenue decreased by \$0.3 million, or 17 percent, from the prior year. This reflects the continued nationwide decrease in investment interest rates during 2012 as compared to several years ago. Charges for services to users in the business-type activities amounted to \$41,922,586 and an additional \$1,476,469 was received during the year for grants and contributions for capital expenses. These two revenue sources more than offset the \$31,725,823 in operating expenses for business-type activities.

The human services program is the largest program and accounted for \$63,794,908 of expenses for governmental activities, or 39 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 \$2.9 million, which was primarily due to the State of Ohio taking over the function of Medicaid services. This function was previously handled by the ADAMHS Board. In addition, expenditures for the DD Board were reduced in 2012 as compared to 2011 because of a reduction in payroll related expenditures. 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 2012 as compared to 2011, primarily due to a change in health care providers that saved the County. 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 decrease in expenses of \$4.9 million. Interest and fiscal charges on debt amounted to \$1.1 million in 2012, which was a 6 percent decrease from 2011.

## **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



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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$108,586,047. \$13,232,629 of this total amount constitutes unassigned fund balance, which is available for appropriation at the County's discretion within certain legal constraints and purpose restrictions. The remainder of fund balance is either non-spendable, restricted, committed or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,337,564 while the total fund balance was \$27,950,769. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 32 percent of total General Fund expenditures, while total fund balance represents 66 percent of that same amount.

The fund balance of the County's General Fund increased by \$15.0 million during the current fiscal year. Overall General Fund revenues increased in 2012 by \$12.7 million as compared to the previous year. The primary reason for this increase is a large increases in sales tax revenue, and other smaller increases in fees and charges for services, licenses and permits and miscellaneous revenue. All other revenue sources had nominal increases or decreases. Transfers to other governmental funds for operating purposes amounted to \$5.3 million during 2012.

With respect to the fund balances of the other major governmental funds, the DD Board Fund increased by \$8.0 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 \$0.5 million primarily because of reduced federal Medicaid stimulus funding received in 2012, as well as additional one-time funding from the State. The fund balance of the Special Assessment Debt Service Fund increased slightly, from \$1,994,713 in 2011 to \$2,758,913 in 2012.

*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 position at the end of the year of \$25,216,754, which was a 70 percent increase from 2011. The increase was primarily due operating revenues exceeding operating expenses. Unrestricted net position for the Wastewater Fund amounted to \$17,761,880 which was a 23 percent increase as compared to 2011. The Solid Waste Fund's unrestricted net position amounted to (\$10,666,179) which is due to the recognition of a long-term liability of the closure and post-closure costs of the County's landfill, as required by the Ohio Environmental Protection Agency. The County will reduce this deficit on an annual basis as it reduces the long-term liability for the landfill closure and post-closure costs over the remaining life of the landfill. Operating revenues for all proprietary funds increased from \$39,815,796 to \$42,177,945, or by 6

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percent, in 2012 as compared to 2011 while operating expenses decreased by \$2,230,866 or 7 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 \$14,444,798 as compared to the original budget for a total increase of 35 percent, primarily due to increases in the estimates for property taxes, sales tax and intergovernmental revenue. Actual revenues received were \$1,664,075 higher, or 3 percent, than the final certification.

Final budgeted expenditures increased by \$246,807 from the original budget. However, actual expenditures were \$2,041,129 less than final budgeted appropriations, which amounted to a 4 percent reduction from the final expenditure budget. In fact, actual expenditures were 4 percent less than the original budgeted amounts. The decrease in actual expenditures and transfers as compared to the final budget amounts and to the original budget amounts, as well as a 3 percent decrease in expenditures and transfers as compared to 2011, is primarily due to budgetary cuts during 2012 including employee layoffs and furloughs.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited*

## Capital Assets and Debt Administration

### **Capital Assets:**

Table 3 shows 2012 values compared to 2011.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,522,603	\$ 3,522,603	\$ 4,361,996	\$ 4,361,996	\$ 7,884,599	\$ 7,884,599
Construction in Progress	31,654,754	36,549,223	22,197,666	24,306,002	53,852,420	60,855,225
Land Improvements	107,637	139,940	111,738	127,089	219,375	267,029
Building & Other Structures	39,283,665	40,705,637			39,283,665	40,705,637
Furniture and Equipment	7,482,099	6,379,765	2,224,759	1,281,916	9,706,858	7,661,681
Infrastructure	70,342,416	67,095,283			70,342,416	67,095,283
Utility Plant in Service			167,661,623	166,326,735	167,661,623	166,326,735
<b>Total Capital Assets</b>	<b>\$ 152,393,174</b>	<b>\$ 154,392,451</b>	<b>\$ 196,557,782</b>	<b>\$ 196,403,738</b>	<b>\$ 348,950,956</b>	<b>\$ 350,796,189</b>

The County's investment in capital assets for its governmental and business type activities as of December 31, 2012, amount to \$294,645,773 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, equipment and machinery, roads, highways, bridges, utility service lines and related operating facilities and the County landfill. Utility Plant in Service in the business-type activities includes all utility buildings and service lines associated with such operations.

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

- Total additions to construction-in-progress for governmental activities amounted to \$2.9 million in 2012 and reductions amounted to \$7.8 million.
- The purchase of \$104,713 in various equipment for the Information Technology department.
- The purchase of \$538,885 in miscellaneous building improvements and equipment for the DD Board.
- Various building improvements and equipment totaling \$1.2 million for various buildings and locations throughout the County.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
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- The completion of \$7.8 million in roads and bridges infrastructure improvements for government-type activities.
- The completion of \$7.8 million in infrastructure projects with an additional \$22.1 million remaining in construction in progress for business-type activities.
- The deletions of \$2.2 million were made up of mostly obsolescent vehicles and information technology 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.

### Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 14,060,000	\$ 14,930,000	\$ 2,937,949	\$ 1,123,400	\$ 16,997,949	\$ 16,053,400
General Obligation Notes	2,850,000	2,850,000	0	0	2,850,000	2,850,000
Special Assessment Bonds	10,562,051	7,641,600	0	0	10,562,051	7,641,600
OWDA Loans	0	0	17,105,809	19,781,696	17,105,809	19,781,696
Other Long-term Liabilities	756,707	815,641	508,365	488,685	1,265,072	1,304,326
Capital Leases	4,302	11,152			4,302	11,152
Unamortized Premium on Debt	486,325	518,026			486,325	518,026
Landfill Closure & Postclosure			22,022,147	19,211,276	22,022,147	19,211,276
Compensated Absences	11,834,835	11,998,290	1,866,249	1,991,180	13,701,084	13,989,470
	<u>\$ 40,554,220</u>	<u>\$ 38,764,709</u>	<u>\$ 44,440,519</u>	<u>\$ 42,596,237</u>	<u>\$ 84,994,739</u>	<u>\$ 81,360,946</u>

Of the debt outstanding at December 31, 2012, 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 0.7 percent of expenses for governmental activities.

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
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The County's governmental long-term general obligations increased by \$1,789,511, or 5 percent, in 2012. The County issued a new long-term special assessment bond during the year in the amount of \$3,538,451, which was the reason for the overall increase. The long-term obligations for business-type activities increased by \$1,844,282, or 4 percent, during 2012. The County issued \$49,550 in Ohio Public Works Commission Loans and \$1,896,549 in self-supporting general obligation bonds during 2012 for business-type activities and an additional \$2.8 million debt was recorded for the landfill closure and post-closure costs. The County has \$2.9 million in long-term notes outstanding as of December 31, 2012 for the purchase and renovation of a building to house the County's vehicle maintenance operations and \$5.5 million in short-term notes for various utility improvement projects for business-type activities.

The County maintains an "Aa1" credit rating from Moody's Investor Services, Inc. The overall debt margin at December 31, 2012 was \$138.8 million with an unvoted total debt margin of \$46.5 million. Additional information on the County's long-term debt can be found in Note H of this report.

## **Economic Factors and Next Year's Budgets and Rates**

As previously stated, the unassigned fund balance in the General Fund increased in 2012 as a direct result of the sales tax revenue increase. In January of 2012, the Board of Commissioners approved a one-half percent sales tax increase effective April 1, 2012. The first collection of sales tax occurred in July of 2012. Along with the sales tax increase, the Commissioners also passed a reduction of inside millage from 2.1 mills to 1.0 mills for tax year 2102, collection year 2013. Due to 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. 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 County's portion of federal and state based revenue has also been affected by the economic conditions. The State Ohio has experienced significant revenue losses and is facing a multi-billion dollar deficit in its budget and, as a result, is instituting cutbacks to state agencies and in 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 2012, 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 \$1.4 million in 2012. 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

# LAKE COUNTY, OHIO

*Management's Discussion and Analysis  
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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 2012 was 6.2 percent, which decreased from 7.6 percent a year ago. The County's rate compares favorably to the State average which was 8.6 percent and the Federal rate which was 8.9 percent. Lake County's economy has been resilient in contrast to other counties in the State of Ohio, including some surrounding counties who are facing significant financial hardships and budget reductions. The key factor is the County's large retail market and its diversified commercial and industrial economic base. Residential new construction continued to drop significantly in 2012, 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.gov](mailto:auditor@lakecountyohio.gov), or visit the County Web Site at: <http://www.lakecountyohio.gov>.

**LAKE COUNTY, OHIO**  
*Statement of Net Position*  
*December 31, 2012*

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 97,940,600	\$ 47,838,283	\$ 145,778,883	\$ 699,658	\$ 143,702
Receivables:					
Property Taxes	45,154,211	-	45,154,211	-	-
Sales Tax	5,171,044	-	5,171,044	-	-
Accounts	1,109,188	6,501,221	7,610,409	54,346	282,408
Unbilled Accounts	-	4,207,911	4,207,911	-	-
Other Receivables	-	-	-	-	115,784
Special Assessments	15,120,516	-	15,120,516	-	-
Accrued Interest	851,002	559	851,561	-	-
Due from Other Governments	8,309,240	-	8,309,240	-	-
Materials and Supplies Inventory	1,269,540	1,752,827	3,022,367	140	-
Internal Balances	429,423	(429,423)	-	-	-
Loans Receivable	537,804	-	537,804	-	25,000
Prepaid Items	243,109	61,467	304,576	14,111	-
Nondepreciable Capital Assets	35,177,357	26,559,662	61,737,019	-	-
Depreciable Capital Assets (Net)	117,215,817	169,998,120	287,213,937	6,931	-
<i>Total Assets</i>	<u>328,528,851</u>	<u>256,490,627</u>	<u>585,019,478</u>	<u>775,186</u>	<u>566,894</u>
<b>Deferred Outflows of Resources</b>					
Deferred Charge on Refunding	78,623	-	78,623	-	-
<b>Liabilities</b>					
Accounts Payable	733,233	89,774	823,007	3,611	85,800
Accrued Wages and Benefits	2,734,476	344,756	3,079,232	29,923	6,386
Accrued Interest Payable	152,824	80,772	233,596	-	-
Due to Other Governments	1,267,982	172,575	1,440,557	848	-
Unearned Revenue	-	2,578,477	2,578,477	-	-
Customer Deposits	-	465,640	465,640	-	-
Claims Payable	166,819	-	166,819	-	-
Notes Payable	-	5,520,000	5,520,000	-	-
Long Term Liabilities:					
Due Within One Year	5,414,551	2,269,717	7,684,268	-	-
Due Within More Than One Year	35,139,669	42,170,802	77,310,471	-	-
<i>Total Liabilities</i>	<u>45,609,554</u>	<u>53,692,513</u>	<u>99,302,067</u>	<u>34,382</u>	<u>92,186</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	41,540,913	-	41,540,913	-	-
<b>Net Position</b>					
Net Investment in Capital Assets	124,160,114	170,485,659	294,645,773	6,931	-
Restricted for:					
Debt Service	980,412	-	980,412	-	-
Capital Projects	9,418,925	-	9,418,925	-	-
Other Purposes	6,081,893	-	6,081,893	(2,465)	-
Public Assistance/Human Services	21,203,920	-	21,203,920	-	-
Roads & Bridges	5,477,210	-	5,477,210	-	-
Health Programs	7,896,703	-	7,896,703	-	-
Judicial/Public Safety Grants/Programs	11,005,443	-	11,005,443	-	-
Economic Development	1,219,906	-	1,219,906	-	-
Children's Services Programs	7,909,284	-	7,909,284	-	-
Other Public Works Activity	6,651,692	-	6,651,692	-	-
Unrestricted	39,451,505	32,312,455	71,763,960	736,338	474,708
<i>Total Net Position</i>	<u>\$ 241,457,007</u>	<u>\$ 202,798,114</u>	<u>\$ 444,255,121</u>	<u>\$ 740,804</u>	<u>\$ 474,708</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Activities*  
For the Year Ended December 31, 2012

	Expenses	Program Revenues		
		Charges for Services & Operating Assessments	Operating Grants, Contributions & Interest	Capital Grants & Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 17,245,466	\$ 13,790,869	\$ 232,925	\$ -
Judicial & Public Safety	41,066,872	8,907,553	3,657,463	432,749
Public Works	17,123,306	1,960,457	7,600,263	51,699
Human Services	63,794,908	2,101,145	26,467,366	-
Health	19,325,075	599,692	8,389,559	64,500
Community & Economic Development	4,357,224	-	4,518,184	-
Interest and Fiscal Charges	1,140,429	-	-	-
<i>Total Governmental Activities</i>	<u>164,053,280</u>	<u>27,359,716</u>	<u>50,865,760</u>	<u>548,948</u>
<b>Business-Type Activities</b>				
Water	10,639,760	17,854,984	-	193,850
Waste-Water	12,975,168	18,092,569	-	1,282,619
Solid Waste	8,110,895	5,975,033	-	-
<i>Total Business-Type Activities</i>	<u>31,725,823</u>	<u>41,922,586</u>	<u>-</u>	<u>1,476,469</u>
<i>Total - Primary Government</i>	<u>\$ 195,779,103</u>	<u>\$ 69,282,302</u>	<u>\$ 50,865,760</u>	<u>\$ 2,025,417</u>
<b>Component Units</b>				
Workshop	\$ 523,484	\$ 481,558	\$ 107,584	\$ -
Port Authority	739,075	138,905	683,665	-
<i>Total - Component Units</i>	<u>\$ 1,262,559</u>	<u>\$ 620,463</u>	<u>\$ 791,249</u>	<u>\$ -</u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Developmental Disabilities  
Mental Health  
Children's Services  
Narcotics Agency  
Forensic Crime Laboratory  
Senior Citizens Services  
Sales Taxes Levied for General Purposes  
Conveyance Tax Levied for General Purposes  
Lodging Tax Levied for Specific Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous

*Total General Revenues*

Net Transfers

*Change in Net Position*

*Net Position Beginning  
of Year - Restated (See Note C)*

*Net Position End of Year*

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



Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Workshop	Port Authority
\$ (3,221,672)	\$ -	\$ (3,221,672)	\$ -	\$ -
(28,069,107)	-	(28,069,107)	-	-
(7,510,887)	-	(7,510,887)	-	-
(35,226,397)	-	(35,226,397)	-	-
(10,271,324)	-	(10,271,324)	-	-
160,960	-	160,960	-	-
(1,140,429)	-	(1,140,429)	-	-
(85,278,856)	-	(85,278,856)	-	-
-	7,409,074	7,409,074	-	-
-	6,400,020	6,400,020	-	-
-	(2,135,862)	(2,135,862)	-	-
-	11,673,232	11,673,232	-	-
<u>\$ (85,278,856)</u>	<u>\$ 11,673,232</u>	<u>\$ (73,605,624)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 65,658	\$ -
-	-	-	-	83,495
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,658</u>	<u>\$ 83,495</u>
11,030,823	-	11,030,823	-	-
24,813,828	-	24,813,828	-	-
8,574,002	-	8,574,002	-	-
2,996,091	-	2,996,091	-	-
1,069,695	-	1,069,695	-	-
1,303,969	-	1,303,969	-	-
2,194,392	-	2,194,392	-	-
26,083,650	-	26,083,650	-	-
2,219,011	-	2,219,011	-	-
790,308	-	790,308	-	-
13,433,353	-	13,433,353	-	-
1,396,050	9,975	1,406,025	14,812	-
14,102,300	2,826,211	16,928,511	-	22,243
110,007,472	2,836,186	112,843,658	14,812	22,243
100,000	(100,000)	-	-	-
24,828,616	14,409,418	39,238,034	80,470	105,738
216,628,391	188,388,696	405,017,087	660,334	368,970
<u>\$ 241,457,007</u>	<u>\$ 202,798,114</u>	<u>\$ 444,255,121</u>	<u>\$ 740,804</u>	<u>\$ 474,708</u>

**LAKE COUNTY, OHIO**

*Balance Sheet  
Governmental Funds  
December 31, 2012*

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 21,739,930	\$ 21,980,933	\$ 5,492,484	\$ 1,607,053	\$ 45,641,891	\$ 96,462,291
Receivables:						
Property Taxes	5,142,647	23,807,192	8,090,331	-	8,114,041	45,154,211
Sales Tax	5,171,044	-	-	-	-	5,171,044
Accounts	465,170	406,143	75,193	-	162,465	1,108,971
Special Assessments	-	-	-	13,996,755	1,123,761	15,120,516
Accrued Interest	849,983	-	-	-	1,019	851,002
Due from Other Funds	337,573	-	-	-	275,700	613,273
Due from Other Governments	1,532,426	1,664,753	1,845,004	-	3,250,312	8,292,495
Materials and Supplies Inventory	-	-	-	-	1,245,902	1,245,902
Interfund Receivable	111,559	-	-	-	110,000	221,559
Loans Receivable	-	-	-	-	537,804	537,804
Prepaid Items	178,481	31,798	4,078	-	26,474	240,831
<b>Total Assets</b>	<b>\$ 35,528,813</b>	<b>\$ 47,890,819</b>	<b>\$ 15,507,090</b>	<b>\$ 15,603,808</b>	<b>\$ 60,489,369</b>	<b>\$ 175,019,899</b>
<b>Liabilities</b>						
Accounts Payable	\$ 268,561	\$ 253,245	\$ 5,336	\$ -	\$ 200,660	\$ 727,802
Accrued Wages & Benefits	978,529	883,334	20,962	-	833,411	2,716,236
Due to Other Funds	69,054	2,458	362	-	174,153	246,027
Due to Other Governments	480,934	397,691	9,590	-	371,458	1,259,673
Interfund Payable	-	-	-	-	221,559	221,559
<b>Total Liabilities</b>	<b>1,797,078</b>	<b>1,536,728</b>	<b>36,250</b>	<b>-</b>	<b>1,801,241</b>	<b>5,171,297</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue - Property Taxes	464,571	1,854,207	605,410	-	689,110	3,613,298
Unavailable Revenue - Special Assessments	-	-	-	12,844,895	-	12,844,895
Unavailable Revenue - Intergovernmental	638,319	84,062	1,312,692	-	1,228,376	3,263,449
Deferred Inflows - Property Taxes	4,678,076	21,952,985	7,484,921	-	7,424,931	41,540,913
<b>Total Deferred Inflows of Resources</b>	<b>5,780,966</b>	<b>23,891,254</b>	<b>9,403,023</b>	<b>12,844,895</b>	<b>9,342,417</b>	<b>61,262,555</b>
<b>Fund Balances</b>						
Nonspendable:						
Inventory	-	-	-	-	1,245,902	1,245,902
Prepaid Assets	178,481	31,798	4,078	-	26,474	240,831
Unclaimed Funds	430,609	-	-	-	-	430,609
Restricted for:						
Other Purposes	-	-	-	-	3,892,016	3,892,016
Debt Service	-	-	-	2,758,913	-	2,758,913
Capital Projects	-	-	-	-	9,430,275	9,430,275
Public Assistance/Human Services	-	22,431,039	-	-	593,032	23,024,071
Roads & Bridges	-	-	-	-	4,941,485	4,941,485
Health Programs	-	-	6,063,739	-	-	6,063,739
Judicial/Public Safety/Grant Programs	-	-	-	-	11,159,851	11,159,851
Economic Development	-	-	-	-	1,277,304	1,277,304
Children's Services	-	-	-	-	7,878,147	7,878,147
General Government Operations	-	-	-	-	2,247,729	2,247,729
Public Works	-	-	-	-	6,758,431	6,758,431
Committed for:						
Central Communications	1,652,569	-	-	-	-	1,652,569
Budget Stabilization	4,242,400	-	-	-	-	4,242,400
Employee Payroll	2,200,000	-	-	-	-	2,200,000
Assigned for:						
Encumbrances	186,724	-	-	-	-	186,724
Claimants	5,722,422	-	-	-	-	5,722,422
Unassigned (Deficit)	13,337,564	-	-	-	(104,935)	13,232,629
<b>Total Fund Balances</b>	<b>27,950,769</b>	<b>22,462,837</b>	<b>6,067,817</b>	<b>2,758,913</b>	<b>49,345,711</b>	<b>108,586,047</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 35,528,813</b>	<b>\$ 47,890,819</b>	<b>\$ 15,507,090</b>	<b>\$ 15,603,808</b>	<b>\$ 60,489,369</b>	<b>\$ 175,019,899</b>

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

**LAKE COUNTY, OHIO**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2012*

<b>Total Governmental Fund Balances</b>		\$ 108,586,047
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		152,393,174
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property & Other Local Taxes	3,613,298	
Special Assessments	12,844,895	
Intergovernmental	3,263,449	
Total		19,721,642
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(152,824)
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.		
Unamortized Loss on Refunded Bonds		78,623
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
Net Position	1,229,414	
Capital Assets	(10,863)	
Compensated Absences	166,014	
Total		1,384,565
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(14,060,000)	
Special Assessment Bonds	(10,562,051)	
Long-Term Notes Payable	(2,850,000)	
Other Long-Term Liabilities	(756,707)	
Unamortized Premium on Bonds	(486,325)	
Capital Leases	(4,302)	
Compensated Absences	(11,834,835)	
Total		(40,554,220)
Net Position of Governmental Activities		\$ 241,457,007

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Developmental Disabilities Board	ADAMHS Board	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 11,657,873	\$ 25,370,148	\$ 8,792,686	\$ -	\$ 7,623,048	\$ 53,443,755
Sales Tax	26,083,650	-	-	-	-	26,083,650
Conveyance & Other Local Taxes	2,219,011	-	-	-	790,308	3,009,319
Fees & Charges for Services	8,015,969	-	-	-	9,499,599	17,515,568
Licenses & Permits	569,190	-	-	-	2,401,252	2,970,442
Fines & Forfeitures	201,553	-	-	-	1,326,071	1,527,624
Intergovernmental	5,476,553	19,233,098	9,677,634	-	27,841,555	62,228,840
Special Assessments	-	-	-	1,754,742	1,139,668	2,894,410
Interest	1,384,175	-	-	-	11,875	1,396,050
Contributions & Donations	-	6,187	-	-	32,121	38,308
Miscellaneous	6,748,012	1,834,359	580,329	-	4,939,600	14,102,300
<i>Total Revenues</i>	<u>62,355,986</u>	<u>46,443,792</u>	<u>19,050,649</u>	<u>1,754,742</u>	<u>55,605,097</u>	<u>185,210,266</u>
<b>Expenditures</b>						
Current:						
General Government	12,058,719	-	-	-	4,605,388	16,664,107
Judicial & Public Safety	28,789,655	-	-	-	12,320,601	41,110,256
Public Works	222,446	-	-	2,569,852	9,819,611	12,611,909
Human Services	1,101,178	38,455,142	-	-	23,428,683	62,985,003
Health	121,719	-	18,504,643	-	483,674	19,110,036
Community & Economic Development	-	-	-	-	4,356,497	4,356,497
Capital Outlay	-	-	-	968,599	3,539,130	4,507,729
Debt Service:						
Principal Retirement	-	-	-	618,000	3,785,784	4,403,784
Interest and Fiscal Charges	-	-	-	372,542	733,493	1,106,035
<i>Total Expenditures</i>	<u>42,293,717</u>	<u>38,455,142</u>	<u>18,504,643</u>	<u>4,528,993</u>	<u>63,072,861</u>	<u>166,855,356</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>20,062,269</u>	<u>7,988,650</u>	<u>546,006</u>	<u>(2,774,251)</u>	<u>(7,467,764)</u>	<u>18,354,910</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Capital Assets	253,065	-	-	-	33,833	286,898
Special Assessment Bond Issuance	-	-	-	3,538,451	-	3,538,451
Note Issuance	-	-	-	-	2,850,000	2,850,000
Transfers In	-	-	-	-	11,541,526	11,541,526
Transfers Out	(5,309,143)	-	-	-	(6,563,375)	(11,872,518)
<i>Total Financing Sources (Uses)</i>	<u>(5,056,078)</u>	<u>-</u>	<u>-</u>	<u>3,538,451</u>	<u>7,861,984</u>	<u>6,344,357</u>
<i>Net Change in Fund Balance</i>	15,006,191	7,988,650	546,006	764,200	394,220	24,699,267
<i>Fund Balance Beginning of Year</i>	<u>12,944,578</u>	<u>14,474,187</u>	<u>5,521,811</u>	<u>1,994,713</u>	<u>48,951,491</u>	<u>83,886,780</u>
<i>Fund Balance End of Year</i>	<u>\$ 27,950,769</u>	<u>\$ 22,462,837</u>	<u>\$ 6,067,817</u>	<u>\$ 2,758,913</u>	<u>\$ 49,345,711</u>	<u>\$ 108,586,047</u>

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

**LAKE COUNTY, OHIO**  
*Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$	24,699,267
 <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.		
Capital Asset Additions		6,414,472
Current Year Depreciation		<u>(7,380,092)</u>
Total		(965,620)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(1,033,657)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property & Other Local Taxes		(1,460,955)
Special Assessments		4,026,339
Intergovernmental		<u>1,006,246</u>
Total		3,571,630
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bonds & Loans		4,396,934
Capital Leases		<u>6,850</u>
Total		4,403,784
The internal service funds used by management to charge the costs of insurance to individual funds is not reported in entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.		
Change in Net Position		401,217
Capital Assets		7,286
Compensated Absences		<u>4,099</u>
Total		412,602
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		163,455
Governmental funds report premiums, discounts and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities.		
Amortization of Loss on Refunded Bonds		(4,951)
Amortization of Bond Premium		<u>31,701</u>
Total		26,750
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(61,144)
Other financing sources in the governmental funds increase the long-term liabilities in the statement of net position.		
Notes Issued		(2,850,000)
Special Assessment Bonds Issued		<u>(3,538,451)</u>
Total		<u>(6,388,451)</u>
Change in Net Position of Governmental Activities:	\$	<u><u>24,828,616</u></u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$ 11,250,000	\$ 11,647,500	\$ 11,657,873	\$ 10,373
Sales Tax	14,250,000	23,500,000	23,506,594	6,594
Conveyance & Other Local Taxes	1,801,200	2,196,200	2,219,011	22,811
Fees & Charges for Services	5,575,068	6,149,033	6,188,660	39,627
Licenses & Permits	447,500	570,250	565,228	(5,022)
Fines & Forfeitures	150,000	187,500	194,789	7,289
Intergovernmental	3,766,500	5,067,583	5,015,618	(51,965)
Interest	1,250,000	1,075,000	1,074,893	(107)
Miscellaneous	3,054,300	5,024,300	6,638,600	1,614,300
<i>Total Revenues</i>	<u>41,544,568</u>	<u>55,417,366</u>	<u>57,061,266</u>	<u>1,643,900</u>
<b>Expenditures</b>				
Current:				
General Government	14,352,367	13,038,601	11,498,042	1,540,559
Judicial & Public Safety	28,903,743	29,425,180	29,025,466	399,714
Public Works	235,551	239,457	225,023	14,434
Human Services	1,210,238	1,180,468	1,104,385	76,083
Health	23,788	153,788	145,568	8,220
<i>Total Expenditures</i>	<u>44,725,687</u>	<u>44,037,494</u>	<u>41,998,484</u>	<u>2,039,010</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,181,119)</u>	<u>11,379,872</u>	<u>15,062,782</u>	<u>3,682,910</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	7,500	236,500	253,065	16,565
Advances In	4,000	347,000	350,610	3,610
Transfers Out	(4,376,262)	(5,311,262)	(5,309,143)	2,119
<i>Total Other Financing Sources (Uses)</i>	<u>(4,364,762)</u>	<u>(4,727,762)</u>	<u>(4,705,468)</u>	<u>22,294</u>
<i>Net Change in Fund Balance</i>	(7,545,881)	6,652,110	10,357,314	3,705,204
<i>Fund Balance Beginning of Year</i>	8,749,868	8,749,868	8,749,868	-
Prior Year Encumbrances Appropriated	171,094	171,094	171,094	-
<i>Fund Balance End of Year</i>	<u>\$ 1,375,081</u>	<u>\$ 15,573,072</u>	<u>\$ 19,278,276</u>	<u>\$ 3,705,204</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 Developmental Disabilities Board Fund  
 For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 26,056,351	\$ 26,099,351	\$ 25,370,148	\$ (729,203)
Intergovernmental	17,720,339	19,145,339	18,881,148	(264,191)
Contributions & Donations	8,000	8,000	6,187	(1,813)
Miscellaneous	1,489,763	1,489,763	1,460,519	(29,244)
<i>Total Revenues</i>	45,274,453	46,742,453	45,718,002	(1,024,451)
<b>Expenditures</b>				
Current:				
Human Services	45,024,420	41,576,005	38,447,929	3,128,076
<i>Net Change in Fund Balance</i>	250,033	5,166,448	7,270,073	2,103,625
<i>Fund Balance Beginning of Year</i>	14,671,571	14,671,571	14,671,571	-
Prior Year Encumbrances Appropriated	15,477	15,477	15,477	-
<i>Fund Balance End of Year</i>	<u>\$ 14,937,081</u>	<u>\$ 19,853,496</u>	<u>\$ 21,957,121</u>	<u>\$ 2,103,625</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
*Board of Alcohol, Drug Addiction & Mental Health Services Fund (ADAMHS Board)*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 8,710,000	\$ 8,712,000	\$ 8,792,686	\$ 80,686
Intergovernmental	14,173,204	12,898,204	11,505,254	(1,392,950)
Miscellaneous	300,000	505,000	505,705	705
<i>Total Revenues</i>	23,183,204	22,115,204	20,803,645	(1,311,559)
<b>Expenditures</b>				
Current:				
Health	23,437,130	24,013,185	21,357,304	2,655,881
<i>Net Change in Fund Balance</i>	(253,926)	(1,897,981)	(553,659)	1,344,322
<i>Fund Balance Beginning of Year</i>	5,935,378	5,935,378	5,935,378	-
Prior Year Encumbrances Appropriated	26,085	26,085	26,085	-
<i>Fund Balance End of Year</i>	<u>\$ 5,707,537</u>	<u>\$ 4,063,482</u>	<u>\$ 5,407,804</u>	<u>\$ 1,344,322</u>

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



**LAKE COUNTY, OHIO**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2012*

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service Funds
<b>Assets:</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 22,579,330	\$ 14,572,507	\$ 10,686,446	\$ 47,838,283	\$ 1,478,309
Net Receivables:					
Accounts	3,065,433	2,869,343	566,445	6,501,221	217
Unbilled Accounts	1,830,429	2,377,482	-	4,207,911	-
Accrued Interest	51	508	-	559	-
Due from Other Funds	-	405,000	191,507	596,507	62,382
Due from Other Governments	-	-	-	-	16,745
Prepaid Items	28,528	32,939	-	61,467	2,278
Materials and Supplies Inventory	1,319,573	429,501	3,753	1,752,827	23,638
<i>Total Current Assets</i>	<u>28,823,344</u>	<u>20,687,280</u>	<u>11,448,151</u>	<u>60,958,775</u>	<u>1,583,569</u>
<i>Noncurrent Assets:</i>					
Land	1,303,593	1,500,174	1,558,229	4,361,996	-
Land Improvements	88,142	36,365	259,316	383,823	-
Utility Plant in Service	136,586,250	218,974,620	17,941,778	373,502,648	-
Furniture, Fixtures & Equipment	3,902,855	4,997,370	644,957	9,545,182	10,863
Less: Accumulated Depreciation	(85,022,295)	(119,116,007)	(9,295,231)	(213,433,533)	-
Construction in Progress	5,318,907	12,213,187	4,665,572	22,197,666	-
<i>Total Noncurrent Assets</i>	<u>62,177,452</u>	<u>118,605,709</u>	<u>15,774,621</u>	<u>196,557,782</u>	<u>10,863</u>
<i>Total Assets</i>	<u>91,000,796</u>	<u>139,292,989</u>	<u>27,222,772</u>	<u>257,516,557</u>	<u>1,594,432</u>
<b>Liabilities:</b>					
<i>Current Liabilities:</i>					
Accounts Payable	41,964	44,320	3,490	89,774	5,431
Accrued Wages & Benefits	163,446	167,044	14,266	344,756	18,240
Accrued Interest Payable	21,067	59,705	-	80,772	-
Unearned Revenue	1,157,665	1,420,812	-	2,578,477	-
Due to Other Funds	1,018,256	7,619	55	1,025,930	205
Due to Other Governments	83,161	82,861	6,553	172,575	8,309
Claims Payable	-	-	-	-	166,819
Customer Deposits	213,280	252,360	-	465,640	-
Notes Payable	4,800,000	720,000	-	5,520,000	-
Compensated Absences Payable - Current	70,805	70,805	5,290	146,900	12,950
OWDA Loans Payable - Current	-	1,990,031	-	1,990,031	-
General Obligation Bonds Payable - Current	-	99,753	-	99,753	-
Other Long-Term Debt Payable - Current	2,478	30,555	-	33,033	-
<i>Total Current Liabilities</i>	<u>7,572,122</u>	<u>4,945,865</u>	<u>29,654</u>	<u>12,547,641</u>	<u>211,954</u>
<i>Long-Term Liabilities (net of current portion)</i>					
Compensated Absences Payable	836,946	819,874	62,529	1,719,349	153,064
OWDA Loans Payable	-	15,115,778	-	15,115,778	-
General Obligation Bonds Payable	-	2,838,196	-	2,838,196	-
Other Long-Term Debt Payable	47,072	428,260	-	475,332	-
Landfill Closure & Post-Closure Costs	-	-	22,022,147	22,022,147	-
<i>Total Long-Term Liabilities</i>	<u>884,018</u>	<u>19,202,108</u>	<u>22,084,676</u>	<u>42,170,802</u>	<u>153,064</u>
<i>Total Liabilities</i>	<u>8,456,140</u>	<u>24,147,973</u>	<u>22,114,330</u>	<u>54,718,443</u>	<u>365,018</u>
<b>Net Position</b>					
Net Investment in Capital Assets	57,327,902	97,383,136	15,774,621	170,485,659	10,863
Unrestricted (Deficit)	25,216,754	17,761,880	(10,666,179)	32,312,455	1,218,551
<i>Total Net Position</i>	<u>\$ 82,544,656</u>	<u>\$ 115,145,016</u>	<u>\$ 5,108,442</u>	<u>\$ 202,798,114</u>	<u>\$ 1,229,414</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Year Ended December 31, 2012*

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Operating Revenues</b>					
Water Sales	\$ 17,546,872	\$ -	\$ -	\$ 17,546,872	\$ -
Sewer Charges	-	16,009,260	-	16,009,260	-
Fees, Permits & Tap-Ins	266,796	1,588,449	-	1,855,245	-
Charges for Services	41,316	494,860	5,975,033	6,511,209	7,004,062
Other Operating Revenues	102,538	142,996	9,825	255,359	38,082
<i>Total Operating Revenues</i>	<u>17,957,522</u>	<u>18,235,565</u>	<u>5,984,858</u>	<u>42,177,945</u>	<u>7,042,144</u>
<b>Operating Expenses</b>					
Personal Services	3,959,201	4,100,831	330,433	8,390,465	620,808
Contractual Services	814,056	671,236	5,861,731	7,347,023	323,924
Materials & Supplies	1,238,293	1,377,159	42,747	2,658,199	983,595
Other Operating Expenses	2,584,448	2,095,025	1,277,803	5,957,276	245,955
Depreciation Expense	2,019,737	3,797,185	595,511	6,412,433	7,286
Insurance Claims	-	-	-	-	4,890,351
<i>Total Operating Expenses</i>	<u>10,615,735</u>	<u>12,041,436</u>	<u>8,108,225</u>	<u>30,765,396</u>	<u>7,071,919</u>
<i>Operating Income (Loss)</i>	<u>7,341,787</u>	<u>6,194,129</u>	<u>(2,123,367)</u>	<u>11,412,549</u>	<u>(29,775)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	2,634	7,341	-	9,975	-
Refund of Prior Year Capital Expenses	-	2,570,852	-	2,570,852	-
Interest and Fiscal Charges	(24,025)	(933,732)	(2,670)	(960,427)	-
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(21,391)</u>	<u>1,644,461</u>	<u>(2,670)</u>	<u>1,620,400</u>	<u>-</u>
<i>Income (Loss) Before Contributions &amp; Transfers</i>	<u>7,320,396</u>	<u>7,838,590</u>	<u>(2,126,037)</u>	<u>13,032,949</u>	<u>(29,775)</u>
Grants & Contributed Capital	154,563	636,905	-	791,468	-
Contributions from Customers	39,287	645,714	-	685,001	-
Transfers In	-	-	-	-	430,992
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Change in Net Position</i>	<u>7,414,246</u>	<u>9,121,209</u>	<u>(2,126,037)</u>	<u>14,409,418</u>	<u>401,217</u>
<i>Net Position Beginning of Year</i>	<u>75,130,410</u>	<u>106,023,807</u>	<u>7,234,479</u>	<u>188,388,696</u>	<u>828,197</u>
<i>Net Position End of Year</i>	<u>\$ 82,544,656</u>	<u>\$ 115,145,016</u>	<u>\$ 5,108,442</u>	<u>\$ 202,798,114</u>	<u>\$ 1,229,414</u>

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

**LAKE COUNTY, OHIO**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Cash Flows From Operating Activities:</b>					
Cash Received from Customers	\$ 17,724,266	\$ 17,870,821	\$ 6,174,842	\$ 41,769,929	\$ 7,035,332
Other Operating Revenues	102,538	142,996	9,825	255,359	27,848
Cash Paid to Suppliers	(1,651,897)	(1,267,550)	(57,207)	(2,976,654)	(1,107,759)
Cash Paid to Employees	(4,158,026)	(4,143,032)	(327,653)	(8,628,711)	(613,966)
Cash Paid for Contractual Services	(788,637)	(753,667)	(3,338,967)	(4,881,271)	(60,503)
Cash Paid for Other Operating Expenses	(3,594,677)	(3,437,102)	(1,367,369)	(8,399,148)	(247,435)
Cash Paid for Claims	-	-	-	-	(5,277,543)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>7,633,567</u>	<u>8,412,466</u>	<u>1,093,471</u>	<u>17,139,504</u>	<u>(244,026)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>					
Advances In	-	135,000	63,835	198,835	-
Advances Out	(586,529)	-	-	(586,529)	-
Transfers In	-	-	-	-	430,992
Transfers Out	(100,000)	-	-	(100,000)	-
<i>Net Cash Provided By (Used for) Non-Capital Financing Activities</i>	<u>(686,529)</u>	<u>135,000</u>	<u>63,835</u>	<u>(487,694)</u>	<u>430,992</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds from General Obligation Notes	4,800,000	720,000	-	5,520,000	-
Proceeds of OPWC Loans	49,550	-	-	49,550	-
Proceeds from Special Assessment Bonds	-	5,435,000	-	5,435,000	-
Payment for Capital Acquisitions	(4,409,363)	(2,564,937)	(381,854)	(7,356,154)	-
Principal Paid on Debt	(500,000)	(9,065,377)	(360,000)	(9,925,377)	-
Interest Paid on Debt	(5,000)	(920,926)	(5,385)	(931,311)	-
Capital Contributed by Grants	154,563	8,429	-	162,992	-
Capital Contributed by Customers	39,287	645,714	-	685,001	-
<i>Net Cash Provided by (Used For) Capital and Related Financing Activities</i>	<u>129,037</u>	<u>(5,742,097)</u>	<u>(747,239)</u>	<u>(6,360,299)</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>					
Interest on Investments	2,928	7,606	-	10,534	-
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	7,079,003	2,812,975	410,067	10,302,045	186,966
<i>Cash and Cash Equivalents Beginning of Year</i>	15,500,327	11,759,532	10,276,379	37,536,238	1,291,343
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 22,579,330</u>	<u>\$ 14,572,507</u>	<u>\$ 10,686,446</u>	<u>\$ 47,838,283</u>	<u>\$ 1,478,309</u>

(Continued)

**LAKE COUNTY, OHIO**  
*Statement of Cash Flows*  
*Proprietary Funds (Continued)*  
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise				Governmental Activities
	Water	Waste Water	Solid Waste	Total	Internal Service
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>					
Operating Income (Loss)	\$ 7,341,787	\$ 6,194,129	\$ (2,123,367)	\$ 11,412,549	\$ (29,775)
Adjustments:					
Depreciation	2,019,737	3,797,185	595,511	6,412,433	7,286
(Increase) Decrease in Assets:					
Accounts Receivable	(194,666)	(174,929)	199,809	(169,786)	249
Unbilled Accounts Receivable	35,178	(91,063)	-	(55,885)	-
Inventory	(287,586)	195,907	51	(91,628)	3,639
Due from Other Funds	-	-	-	-	30,723
Due from Other Governments	-	-	-	-	(9,936)
Prepaid Items	(28,528)	(32,939)	-	(61,467)	(2,278)
Increase (Decrease) in Liabilities:					
Accounts Payable	(242,931)	(503,619)	(199,796)	(946,346)	(151,357)
Accrued Wages	(71,960)	(42,950)	1,595	(113,315)	2,743
Due to Other Funds	22,579	(130)	(381)	22,068	(26)
Due to Other Governments	(861,948)	(6,519)	(192,007)	(1,060,474)	1,153
Compensated Absences Payable	(126,865)	749	1,185	(124,931)	4,099
Customer Deposits	28,770	44,244	-	73,014	-
Construction in Progress Not Capitalized	-	(967,599)	-	(967,599)	-
Landfill Closure & Post-Closure Costs	-	-	2,810,871	2,810,871	-
Claims Payable	-	-	-	-	(100,546)
<i>Total Adjustments</i>	<u>291,780</u>	<u>2,218,337</u>	<u>3,216,838</u>	<u>5,726,955</u>	<u>(214,251)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 7,633,567</u>	<u>\$ 8,412,466</u>	<u>\$ 1,093,471</u>	<u>\$ 17,139,504</u>	<u>\$ (244,026)</u>

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

**LAKE COUNTY, OHIO**

*Statement of Net Position*

*Agency Funds*

*December 31, 2012*

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	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 22,312,380
Cash and Cash Equivalents - Non-Pooled Cash	7,778,440
Receivables:	
Taxes	282,031,315
Special Assessments	7,664,719
Due from Other Governments	<u>1,541,048</u>
<i>Total Assets</i>	<u><u>\$ 321,327,902</u></u>
<b>Liabilities:</b>	
Due to Other Governments	\$ 307,119,975
Other Liabilities	<u>14,207,927</u>
<i>Total Liabilities</i>	<u><u>\$ 321,327,902</u></u>

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

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**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**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.

**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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)**

REPORTING ENTITY (Continued)

Discretely Presented Component Units (Continued)

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, 1 Victoria Place, Suite 265A, Painesville, OH 44077.

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.



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)**

REPORTING ENTITY (Continued)

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.

LAKETRAN

Laketran provides bus transportation services to the residents of Lake County. Laketran 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 Laketran Board has the separate governing authority to levy and collect taxes, adopt its own budget, issue bonds and control its own operations.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)**

REPORTING ENTITY (Continued)

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 Organizations:

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.

NORTHEAST OHIO NETWORK (NEON)

NEON is a council of governments formed to provide a regional effort in administering, managing, and operating programs for certain individuals with developmental disabilities. Participating counties include Geauga, Ashland, Ashtabula, Cuyahoga, Columbiana, Lorain, Lake, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull and Wayne Counties. NEON's operation is controlled by their Board, which is comprised of the superintendents of the Board of Developmental Disabilities of each participating county. NEON adopts its own budget, authorizes expenditures and hires and fires its own staff. During 2012, NEON received sufficient revenues from State grant monies and no additional funds were needed from Lake County.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE A – DESCRIPTION OF LAKE COUNTY (CONTINUED)**

Jointly Governed Organizations (Continued)

*NORTHEAST OHIO AREAWIDE COORDINATING AGENCY (NOACA)*

Northeast Ohio Areawide Coordinating Agency NOACA was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by 37 members including the three County Commissioners. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. In 2012, the County did not contribute to NOACA.

**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 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 position 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 position 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 position 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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

BASIS OF PRESENTATION (Continued)

to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

FUND ACCOUNTING (Continued)

Governmental Funds (Continued):

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.

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

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

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

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

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 or fixed fees and serve as the major revenue source for financing the operations and maintenance of the wastewater system.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

FUND ACCOUNTING (Continued)

Proprietary Funds (Continued)

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.

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 position and changes in net position. 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 Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

MEASUREMENT FOCUS (Continued)

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, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 position.

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 outflows/inflows of resources and in the presentation of expenses versus expenditures.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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 Outflows/Inflows of Resources

In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County unavailable revenue includes delinquent property taxes, special assessments, intergovernmental grants, homestead and rollback, State assistance receipts and other receivables collected outside of the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. 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 2012.

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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

BUDGETARY PROCESS (Continued)

Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. 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 2012.

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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

BUDGETARY PROCESS (Continued)

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.

Lapsing of Appropriations

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

Encumbrances

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

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

POOLED CASH AND CASH EQUIVALENTS

The County Treasurer invests all active County funds. Active County funds are invested in federal agency obligations, commercial paper and municipal bonds. 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 2012 totaled \$1,384,175, which includes \$1,199,803 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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**POOLED CASH AND CASH EQUIVALENTS (CONTINUED)**

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2012. 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.

**INVENTORY OF SUPPLIES**

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

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

**INTERFUND RECEIVABLES**

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

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2012 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 position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 position 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 position 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**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**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 2012 and included in construction-in-progress for the Enterprise Funds was \$67,232.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

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

**COMPENSATED ABSENCES**

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**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:

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

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

FUND BALANCE

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

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

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

FUND BALANCE (continued)

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

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

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

NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position 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.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 2012.

**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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE C – CHANGE IN ACCOUNTING PRINCIPLES & RESTATEMENT OF PRIOR YEAR NET POSITION**

**CHANGE IN ACCOUNTING PRINCIPLES**

For 2012, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Agreements”, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53”, Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and GASB Statement No. 66 “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”.

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any changes in the County’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any changes in the County’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County’s 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the County’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the County’s 2012 financial statements and resulted in a restatement of beginning net position.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any changes in the County’s financial statements.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE C – CHANGE IN ACCOUNTING PRINCIPLES & RESTATEMENT OF PRIOR YEAR NET POSITION (CONTINUED)**

**RESTATEMENT OF PRIOR YEAR GOVERNMENT WIDE NET POSITION**

	Governmental Activities	Business-Type Activities	Total
Net Position at 12/31/11	\$216,829,865	\$188,388,696	\$405,218,561
GASB 65 Adjustment - Deferred Charges	(201,474)	-	(201,474)
Adjusted Net Position at 12/31/11	<u>\$216,628,391</u>	<u>\$188,388,696</u>	<u>\$405,017,087</u>

**NOTE D – BUDGETARY BASIS OF ACCOUNTING**

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than part of restricted, committed and assigned fund balances (GAAP basis) for governmental funds.
- (d) \*Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE D – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

	Net Change in Fund Balance		
	<u>General and Major Special Revenue Funds</u>		
	General	DD Board	ADAMHS Board
GAAP Basis	\$15,006,191	\$7,988,650	\$546,006
Net Adjustment for Revenue Accruals	(3,526,193)	(725,790)	1,752,996
Advances In	350,610	-	-
Beginning Fair Value Adjustment	234,717	-	-
Ending Fair Value Adjustment	(175,605)	-	-
Net Adjustment for Expenditure Accruals	(612,870)	31,025	(2,767,981)
Adjustment for Funds Budgeted as Special Revenue	(534,995)	-	-
Adjustment for Encumbrances	(384,541)	(23,812)	(84,680)
Budget Basis	<u>\$10,357,314</u>	<u>\$7,270,073</u>	<u>(\$553,659)</u>

**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;

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT (CONTINUED)**

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;
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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

**DEPOSITS**

*Custodial Credit Risk*

At December 31, 2012, the carrying amount of the County’s deposits was \$124,901,101. Based on the criteria described in GASB 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2012, \$125,756,212 of the County’s bank balance of \$128,576,153 was exposed to custodial risk as discussed below, while \$2,819,941 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.

**INVESTMENTS**

Investments are reported at fair value. As of December 31, 2012, the County had the following investments:

Investment Type	Less than six months	Investment Maturities		Total
		Less Than One Year	More Than One Year But Less Than Three Years	
Commercial Paper	\$ 11,984,243	\$ 6,993,913	\$ 1,016,410	\$ 19,994,566
Federal Home Loan Bank Notes	-	3,017,700	10,057,970	13,075,670
Federal Farm Credit Bank	-	-	12,024,240	12,024,240
Treasury Notes	-	3,015,930	-	3,015,930
Municipal & Ohio Entities	-	1,691,945	1,166,081	2,858,026
STAR Ohio	170	-	-	170
Total Portfolio	<u>\$ 11,984,413</u>	<u>\$ 14,719,488</u>	<u>\$ 24,264,701</u>	<u>\$ 50,968,602</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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

INVESTMENTS (CONTINUED)

Credit Risk

The Treasury Notes, the Federal Home Loan Bank Notes, the Federal Farm Credit Bank and the Municipal and Commercial Paper 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.

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 Bank Notes, the Federal Farm Credit Bank, Treasury Notes and the Municipal and Commercial Paper 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, 2012:

Investment Type	Fair Value	Percent of Total
Commercial Paper	\$ 19,994,566	39.2%
Federal Home Loan Bank Notes	13,075,670	25.7%
Federal Farm Credit Bank Bonds	12,024,240	23.6%
Treasury Notes	3,015,930	5.9%
Municipal - Ohio Entities	2,858,026	5.6%
STAR Ohio	170	0.0%
Total Investments	\$ 50,968,602	100.0%

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE E – DEPOSITS AND INVESTMENTS (CONTINUED)**

**COMPONENT UNITS**

At December 31, 2012 the carrying amount of Deepwood Industries, Inc. Workshop’s deposits was \$699,660. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2012, \$290 of the Workshop’s bank balance of \$699,660 was exposed to custodial risk while \$699,370 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, 2012 the carrying amount of the Lake County Port Authority’s deposits was \$143,702. Based on the criteria described in GASB Statement No. 40 “Deposits and Investments Risk Disclosures”, as of December 31, 2012, none of the Port Authority’s bank balance of \$143,702 was exposed to custodial risk, meaning all was covered by the Federal Depository Insurance Corporation. The Port Authority had no investments at year-end.

**NOTE F – CAPITAL ASSETS**

Governmental capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 01/01/2012	Additions	Deletions	Balance 12/31/2012
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,522,603	\$ -	\$ -	\$ 3,522,603
Construction in Progress	36,549,223	2,868,543	(7,763,012)	31,654,754
<i>Total Capital Assets Not Being Depreciated</i>	<u>40,071,826</u>	<u>2,868,543</u>	<u>(7,763,012)</u>	<u>35,177,357</u>
<i>Capital Assets, Being Depreciated:</i>				
Land improvements	782,496	-	-	782,496
Buildings & other structures	89,243,227	868,629	-	90,111,856
Furniture, fixtures & equipment	29,098,174	2,617,555	(1,036,686)	30,679,043
Infrastructure	104,479,529	7,822,757	(1,175,421)	111,126,865
<i>Total Capital Assets, Being Depreciated</i>	<u>223,603,426</u>	<u>11,308,941</u>	<u>(2,212,107)</u>	<u>232,700,260</u>
<i>Less Accumulated Depreciation:</i>				
Land improvements	(642,556)	(32,303)	-	(674,859)
Buildings & other structures	(48,537,590)	(2,290,601)	-	(50,828,191)
Furniture, fixtures & equipment	(22,718,409)	(1,474,532)	995,997	(23,196,944)
Infrastructure	(37,384,246)	(3,582,656)	182,453	(40,784,449)
<i>Total Accumulated Depreciation</i>	<u>(109,282,801)</u>	<u>(7,380,092) *</u>	<u>1,178,450</u>	<u>(115,484,443)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>114,320,625</u>	<u>3,928,849</u>	<u>(1,033,657)</u>	<u>117,215,817</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 154,392,451</u>	<u>\$ 6,797,392</u>	<u>\$ (8,796,669)</u>	<u>\$ 152,393,174</u>



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE F – CAPITAL ASSETS (CONTINUED)**

\* Depreciation expense was charged to governmental functions as follows:

General Government	\$	759,230
General Government (Int Svc.)		7,286
Judicial and Public Safety		1,725,661
Public Works		3,910,602
Human Services		761,991
Health		215,322
Total	\$	<u>7,380,092</u>

Business-type capital asset activity for the year ended December 31, 2012, was as follows:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance
<b>Business-Type Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 4,361,996	\$ -	\$ -	\$ 4,361,996
Construction in Progress	24,306,002	5,664,629	(7,772,965)	22,197,666
<i>Total Capital Assets Not Being Depreciated</i>	<u>28,667,998</u>	<u>5,664,629</u>	<u>(7,772,965)</u>	<u>26,559,662</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	383,823	-	-	383,823
Utility Plant in Service	366,317,968	7,184,680	-	373,502,648
Furniture, Fixtures and equipment	8,117,585	1,490,133	(62,536)	9,545,182
<i>Total Capital Assets, Being Depreciated</i>	<u>374,819,376</u>	<u>8,674,813</u>	<u>(62,536)</u>	<u>383,431,653</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(256,734)	(15,351)	-	(272,085)
Utility Plant in Service	(199,991,233)	(5,849,792)	-	(205,841,025)
Furniture, fixtures and equipment	(6,835,669)	(547,290)	62,536	(7,320,423)
<i>Total Accumulated Depreciation</i>	<u>(207,083,636)</u>	<u>(6,412,433)</u>	<u>62,536</u>	<u>(213,433,533)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>167,735,740</u>	<u>2,262,380</u>	<u>-</u>	<u>169,998,120</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 196,403,738</u>	<u>\$ 7,927,009</u>	<u>\$ (7,772,965)</u>	<u>\$ 196,557,782</u>

During 2012, it was determined that land valued at \$14,350 was improperly classified as a land improvement in the prior year. Therefore, this amount was reclassified out of land improvements and into land, resulting in adjusted beginning balances to land and land improvements of \$4,361,996 and \$383,823, respectively.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE G – INTERFUND TRANSACTIONS**

Due to/from payables and receivables balances at December 31, 2012, 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</u>	<u>Due To</u>
<b>Government-Type Activities:</b>		
General Fund	\$337,573	\$69,054
Developmental Disabilities Board	-	2,458
ADAMHS Board	-	362
Other Nonmajor Governmental Funds	275,700	174,153
<i>Total Government-Type Activities</i>	<u>\$613,273</u>	<u>\$246,027</u>
<b>Business-Type Activities:</b>		
Water District	-	1,018,256
Sewer District	405,000	7,619
Solid Waste District	191,507	55
Internal Service Funds	62,382	205
<i>Total Business-Type Activities</i>	<u>658,889</u>	<u>1,026,135</u>
<b>Total</b>	<u><u>\$1,272,162</u></u>	<u><u>\$1,272,162</u></u>
	<u>Interfund</u>	<u>Interfund</u>
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$111,559	-
Additional Motor Vehicle Tax	110,000	-
Engineer's Stormwater Management	-	\$110,000
Juvenile Court Computerization	-	111,559
<b>Total</b>	<u><u>\$221,559</u></u>	<u><u>\$221,559</u></u>

The General Fund provided cash to the Juvenile Court Computerization Fund several years ago due to a cash flow deficiency for the fund. The Additional Motor Vehicle Tax Fund provided cash to the Engineer's Stormwater Maintenance Fund several years ago when the fund was initially created.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE H – LONG-TERM DEBT**

Changes in the County's long-term obligations during the year ended December 31, 2012 consist of the following:

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2012	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2012	AMOUNTS DUE IN ONE YEAR
<b><i>GOVERNMENTAL ACTIVITIES</i></b>								
<b><i>General Obligation Note</i></b>								
2012/2013	Garage Purchase & Renovation	\$2,850,000	1.00%	\$2,850,000	\$2,850,000	(\$2,850,000)	\$2,850,000	\$2,850,000
<b><i>General Obligation Bonds</i></b>								
2005/2025	County Building Improvement & Refunding	15,500,000	3.00%-5.00%	12,805,000	-	(665,000)	12,140,000	690,000
1995/2015	Human Services Center	2,500,000	3.00%-5.00%	700,000	-	(165,000)	535,000	170,000
2007/2032	Dog Shelter Renovation	1,545,000	4.05%-5.00%	1,425,000	-	(40,000)	1,385,000	45,000
Total General Obligation Bonds – Unvoted				14,930,000	-	(870,000)	14,060,000	905,000
1994/2014	Proj. 176W, 178W, 180W, 183W, 187W, 193W, 195W, 199W, 182S, 186S	1,340,000	5.60%-7.75%	210,000	-	(70,000)	140,000	70,000
1996/2016	Perry Area 166S Proj. 194W, 200S, 201W, 202W, 203W, 208W, 209W, 217W, 225W	965,000	4.95%-6.75%	250,000	-	(50,000)	200,000	50,000
2000/2020	Girdled, Wood, Timberlane 206W, 220W, 227W	850,000	5.80%	280,000	-	(50,000)	230,000	50,000
2000/2020	Pincrest Area, Beechersbrook Lane, Imperial Woods, 216W, 231W, 221S	1,145,000	5.60%	540,000	-	(60,000)	480,000	60,000
2002/2022	Concord Area, Lane, Shepard, Lockwood, 234S, 212W, 240W	1,280,000	5.60%	630,000	-	(65,000)	565,000	65,000
2004/2024	Windpoint Reserve, McMackin, South Ridge, Shepard, Baldwin, Althea, Dormae Roads, 242S, 243W, 248W, 249W, 250W, 251W, 253W	2,862,500	2.00%-4.75%	1,841,600	-	(133,000)	1,708,600	135,950
2005/2025	Mount Royal, Spring Lake, Spring Lake Loop, 241W, 246W, 265W	1,610,000	2.00%-5.35%	1,185,000	-	(70,000)	1,115,000	75,000
2010/2008/2028	Rte. 20 East of Lane, Perry Village, Ashview, Meadow Wood, Perry Park Rd. 244S, 258S, 274S, 262W, 300W	670,000	3.50%-5.00%	525,000	-	(30,000)	495,000	30,000
2009/2029	Maple Street, 291S	1,857,000	3.00%-5.00%	1,675,000	-	(70,000)	1,605,000	75,000
2012/2042	Kirtland Sanitary Sewer	540,000	2.00%-5.25%	505,000	-	(20,000)	485,000	20,000
		3,538,451	2.00%-3.75%	-	3,538,451	-	3,538,451	29,297
Total Special Assessment Bonds				\$7,641,600	\$3,538,451	(\$618,000)	\$10,562,051	660,247
<b><i>Other Long-Term Liabilities</i></b>								
2008/2018	US Rte 20 Storm Drainage Outlet Sewer OPWC CG10J	150,000	0.00%	\$97,500	-	(\$15,000)	\$82,500	\$15,000
2010/2025	Mill-Morr Dr, Ravenna Rd OPWC CG71M	218,009	0.00%	188,941	-	(14,534)	174,407	14,534
2010/2030	River Rd Safety Improvement Phase II OPWC CG34L	588,000	0.00%	529,200	-	(29,400)	499,800	29,400
Total Other Long-Term Liabilities				815,641	-	(58,934)	756,707	58,934
<b><i>Unamortized Premium on Debt Issues</i></b>				518,026	-	(31,701)	486,325	-
<b><i>Capital Leases</i></b>				11,152	-	(6,850)	4,302	4,302
<b><i>Compensated Absences</i></b>				11,998,290	785,632	(949,087)	11,834,835	936,068
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				\$38,764,709	\$7,174,083	(\$5,384,572)	\$40,554,220	\$5,414,551

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE H – LONG-TERM DEBT (CONTINUED)**

YEAR ISSUED/ FINAL MATURITY	PURPOSE/ DESCRIPTION	ORIGINAL PRINCIPAL AMOUNT	INTEREST RATE	BALANCE JAN. 1, 2012	ADDITIONS	REDUCTIONS	BALANCE DEC. 31, 2012	AMOUNTS DUE IN ONE YEAR
<b><i>Business-Type Activities:</i></b>								
<b><i>Self Supporting General Obligation Bonds Payable fom Enterprise Funds</i></b>								
<b><i>Payable From Wastewater Revenues</i></b>								
2002/2022	Concord Area 234S	\$1,742,500	2.00%-4.75%	\$1,123,400	-	(\$82,000)	\$1,041,400	\$84,050
2012/2042	Kirtland Sanitary Sewer 284S	1,896,549	2.00%-3.75%	-	\$1,896,549	-	1,896,549	15,703
Total Payable from Wastewater				1,123,400	1,896,549	(82,000)	2,937,949	99,753
Total Self Supporting General Obligation Bonds				1,123,400	1,896,549	(82,000)	2,937,949	99,753
<b><i>OWDA Loans</i></b>								
<b><i>Payable from Wastewater Revenues</i></b>								
1985/2010	Project 140S	12,801,588	9.98%	765,379	-	(765,379)	-	-
2000/2020	Project 218S	36,199,145	4.12%	19,016,317	-	(1,910,508)	17,105,809	1,990,031
Total Payable from Wastewater				19,781,696	-	(2,675,887)	17,105,809	1,990,031
Total OWDA Loans				19,781,696	-	(2,675,887)	17,105,809	1,990,031
<b><i>Other Long-Term Liabilities</i></b>								
<b><i>Payable from Wastewater Revenues</i></b>								
2006/2025	City of Willoughby Hills Mentor Headlands San Sewer	488,959	3.03%	351,868	-	(22,456)	329,412	23,141
2010/2029	Replacement OPWC CG17K Dundee Glasgow & Kelso Sewer	142,683	0.00%	128,415	-	(7,134)	121,281	7,134
2011/2041	OPWC CG02M	8,402	0.00%	8,402	-	(280)	8,122	280
Total Payable from Wastewater				488,685	-	(29,870)	458,815	30,555
<b><i>Payable from Water Revenues</i></b>								
2012/2032	Hubbard Rd Waterline OPWC CG11K	49,550	3.03%	-	49,550	-	49,550	2,478
Total other Long-Term Liabilities				488,685	49,550	(29,870)	508,365	33,033
<b><i>Landfill Closure and Post Closure Costs</i></b>				19,211,276	2,810,871	-	22,022,147	-
<b><i>Compensated Absences</i></b>				1,991,180	129,292	(254,223)	1,866,249	146,900
<b>TOTAL BUSINESS TYPE ACTIVITIES</b>				<b>\$42,596,237</b>	<b>\$4,886,262</b>	<b>(\$3,041,980)</b>	<b>\$44,440,519</b>	<b>\$2,269,717</b>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE H – LONG-TERM DEBT (CONTINUED)**

Principal and interest requirements to retire the County's long-term obligations outstanding at December 31, 2012 are as follows:

*Governmental Activities*

Year	General Obligation Bonds		Special Assessment Bonds		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 905,000	\$ 692,737	\$ 660,247	\$ 508,657	\$ 58,934	\$ -
2014	945,000	656,447	719,976	429,759	58,934	-
2015	985,000	609,558	664,131	398,280	58,934	-
2016	845,000	560,600	662,081	370,249	58,934	-
2017	885,000	518,675	639,186	340,437	58,934	-
2018-2022	5,125,000	1,885,500	3,122,024	1,267,477	227,169	-
2023-2027	3,895,000	535,000	1,660,839	656,320	176,068	-
2028-2032	475,000	73,750	838,497	364,915	58,800	-
2033-2037	-	-	729,175	239,129	-	-
2038-2042	-	-	865,895	99,407	-	-
<b>Total</b>	<b>\$ 14,060,000</b>	<b>\$ 5,532,267</b>	<b>\$ 10,562,051</b>	<b>\$ 4,674,630</b>	<b>\$ 756,707</b>	<b>\$ -</b>

*Business Type Activities*

Year	General Obligation Bonds		O.W.D.A Loans		Other Long-Term Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 99,753	\$ 137,457	\$ 1,990,031	\$ 684,471	\$ 33,033	\$ 9,807
2014	130,024	107,538	2,072,864	601,637	33,740	9,101
2015	135,869	103,174	2,159,146	515,356	34,468	8,373
2016	137,919	98,427	2,249,019	425,483	35,218	7,622
2017	145,814	92,604	2,342,633	331,868	35,991	6,849
2018-2022	822,976	365,833	6,292,116	394,138	192,406	21,797
2023-2027	279,161	240,035	-	-	112,934	2,422
2028-2032	331,503	188,460	-	-	28,056	-
2033-2037	390,825	128,169	-	-	1,400	-
2038-2042	464,105	53,280	-	-	1,120	-
<b>Total</b>	<b>\$ 2,937,949</b>	<b>\$ 1,514,977</b>	<b>\$ 17,105,809</b>	<b>\$ 2,952,953</b>	<b>\$ 508,366</b>	<b>\$ 65,971</b>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**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, 2012.

Year	Governmental Activities
2013	\$ 4,438
Less Amount Representing Interest	\$ (136)
Present Value of Future Minimum Lease Payments	\$ 4,302

At December 31, 2012 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 \$2,536,200. Of this amount, \$2,514,916 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:

Year	Amount
2013	\$656,805
2014	499,883
2015	482,004
2016	457,504
2017	440,004
	<u>\$2,536,200</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE H – LONG-TERM DEBT (CONTINUED)**

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.

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 2011, the County received an Ohio Public Works Commission (OPWC) loan in the amount of \$8,402 for business type activities to finance a wastewater project.

In 2012, the County received another OPWC loan in the amount of \$49,550 for business type activities to finance a waterline 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, 2012, \$555,000 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.

In 2012, the County issued \$1,896,549 in general obligation bonds and \$3,538,451 in special assessment bonds for a Kirtland sanitary sewer project.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**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 \$329,413 as of the balance sheet date, is to be financed from wastewater revenues. The agreement further provides for the reconveyance of the assets and the responsibility for servicing the related indebtedness to the City in the event disposition of such by the County is desired or found necessary. Additional other long-term obligations are interest-free loans from the Ohio Public Works Commission. Two are for governmental activities for road repairs and one is for business-type activities for wastewater system improvements.

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



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**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 2032. Annual principal and interest payments on the wastewater debt are expected to require 55 percent of net revenue and 45 percent of total revenues. The total principal and interest remaining to be paid on the wastewater debt is \$25,086,025. Principal and interest paid for the year for the wastewater debt was \$3,614,723, total net revenues were \$9,991,314 and total revenues were \$18,235,565.

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, 2012, the County had an unvoted debt margin of \$45.5 million and a direct debt margin of \$138.8 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, 2012, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$82,720,000.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE I – NOTES PAYABLE**

A summary of note transactions for the year ended December 31, 2012 follows:

Year Issued	Purpose/Description	Interest Rate	Final Maturity	Balance January 1, 2012	Principal Issued in 2012	Principal Retired in 2012	Balance December 31, 2012
<b><u>NOTES PAYABLE FROM ENTERPRISE FUNDS:</u></b>							
<b><u>Payable from Water Funds:</u></b>							
2011	Water District Improvement Note 302W	1.00%	2012	\$500,000	-	\$500,000	-
2012	Water District Improvement Notes 302W, 317W, 321W, 335W	1.00%	2013	-	<u>4,800,000</u>	-	<u>4,800,000</u>
Total Notes Payable From Water Funds				<u>\$500,000</u>	<u>\$4,800,000</u>	<u>\$500,000</u>	<u>\$4,800,000</u>

**Payable From Wastewater Funds:**

2011	Sewer District Improvement Note 294S	1.50%	2012	\$360,000	-	\$360,000	-
2011	Sewer District Improvement Note 284S	1.50%	2012	5,220,000	-	5,220,000	-
2011	Sewer District Improvement Note 314S	1.00%	2012	90,000	-	90,000	-

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE I – NOTES PAYABLE (CONTINUED)**

A summary of note transactions for the year ended December 31, 2012 follows:

Year Issued	Purpose/Description	Interest Rate	Final Maturity	Balance January 1, 2012	Principal Issued in 2012	Principal Retired in 2012	Balance December 31, 2012
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NOTES PAYABLE FROM ENTERPRISE FUNDS (Continued):

Payable from Wastewater Funds (continued):

2011	Sewer District Improvement Note 285S	1.00%	2012	990,000	-	990,000	-
2012	Sewer District Improvement Note 314S	1.00%	2013	-	60,000	-	60,000
2012	Sewer District Improvement Note 285S	1.00%	2013	<u>-</u>	<u>660,000</u>	<u>-</u>	<u>660,000</u>
Total Notes Payable From Wastewater Revenues				<u>\$6,660,000</u>	<u>\$720,000</u>	<u>\$6,660,000</u>	<u>\$720,000</u>

Payable from Solid Waste Funds

2011	Solid Waste District Area C4 Phase 4 Note	1.50%	2012	<u>360,000</u>	<u>-</u>	<u>360,000</u>	<u>-</u>
Total Notes Payable from Solidwaste Revenues				<u>\$360,000</u>	<u>-</u>	<u>\$360,000</u>	<u>-</u>
TOTAL NOTES PAYABLE FROM ENTERPRISE FUNDS				<u>\$7,520,000</u>	<u>\$5,520,000</u>	<u>\$7,520,000</u>	<u>\$5,520,000</u>

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

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**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 Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

*Funding Policy* – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2012 member contribution rates were 10.0 percent of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.5 and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively.

The 2012 employer contribution rate for state and local employers was 14.0 percent of covered payroll, of which 4.0 and 6.05 percent was used to fund health care coverage for retirees in the traditional plan and the Combined Plan, respectively. The law enforcement and public safety division employer contribution rate 18.1 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

Pension Benefits (Continued)

The County's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$7,591,117, \$6,084,512, and \$7,679,294, respectively. 100 percent has been contributed for 2012, 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$176,527 made by the County and \$126,091 made by the plan members.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and is effective for employer fiscal years beginning after June 15, 2014. The impact on the County, if any, is not readily determinable at this time.

Other Postemployment Benefits (OPEB)

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

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

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or calling (614) 222-5601 or (800) 222-7377.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Other Postemployment Benefits (OPEB) (Continued)

*Funding Policy* - The Ohio revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' post employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the combined plan was 6.05 percent during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$2,992,252, \$2,380,767, and \$4,290,801, which were equal to the required contribution.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

*Plan Options* - New members have a choice of three retirement plan; 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 multiplies by a percentage that varies based on years of service, or an allowance based on a member's 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 lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by the Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

*Funding Policy* - Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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

The County's required contributions for pension obligations to the DB Plan for years ended December 31, 2012, 2011, and 2010 were \$50,417, \$49,796, and \$56,248, respectively; 100 percent has been contributed for fiscal year 2012, 2011, and 2010. Currently, all members are enrolled in the DB Plan.

Other Postemployment Benefits (OPEB)

*Plan Description* - The County contributes to a cost-sharing multiple-employer defined benefit Health Care 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 drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

*Funding Policy* - Ohio law authorizes STRS Ohio to offer Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS 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 years ended December 31, 2012, 2011, and 2010 were \$3,878, \$3,831, and \$4,327, respectively, which equaled the required amount.

**NOTE K – PROPERTY TAX REVENUES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes. Property tax payments received during 2012 for tangible personal property (other than public utility property) are for 2011 taxes.

2012 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2012 lien date. Assessed values are established by State law at 35% of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012 and are collected in 2013 with real property taxes.



**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE K – PROPERTY TAX REVENUES (CONTINUED)**

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

The full tax rate for all County operations for the year ended December 31, 2012, was \$10.30 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property	\$5,978,514,090
Public Utility Personal Property	<u>339,982,500</u>
Total Assessed Value	<u>\$6,318,496,590</u>

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property tax receivables represent real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012 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 2012 operations. In the governmental funds, the entire receivable has been offset by deferred inflows of resources – property taxes since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is reported as deferred inflows of resources – unavailable revenue.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE L – RECEIVABLES & REVENUES**

Receivables at December 31, 2012, 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 amounts to \$13,996,755 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$148,611.

A summary of the principal intergovernmental revenues for government-type activities are as follows:

<b>Governmental Activities</b>	<u>Amount</u>
<b><i>General Fund:</i></b>	
Homestead and Rollback	\$1,895,373
Local Government	1,253,994
Casino Revenue	1,133,498
Public Defender Reimbursements	579,133
Other Miscellaneous Reimbursements	<u>614,555</u>
<i>Total General Fund</i>	<u>5,476,553</u>
<b><i>Other Governmental Funds:</i></b>	
Federal & State Developmental Disability Grants	14,402,522
Federal & State Mental Health Grants	8,013,153
Homestead and Rollback	5,269,794
State Reimbursements	2,413,255
Federal & State Public Assistance Grants	5,075,625
Federal & State Children's Services Grants	2,266,941
Child Support Incentives	2,856,147
Prosecutor's Victim Assistance	308,959
Community Corrections Grant	1,379,753
Communication Systems Grants	2,069,907
State Transportation Grants	6,460,595
Public Safety Grants	661,620
Miscellaneous Federal & State Grants	323,277
Community & Economic Development	4,518,184
State Probation Grants	592,141
Drug/Alcohol Grants	24,215
Transportation Grants Related to Capital Projects	<u>116,199</u>
<i>Total Other Governmental Funds</i>	<u>56,752,287</u>
<b>Total Intergovernmental Revenue</b>	<u><u>62,228,840</u></u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE M – INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfers From	Transfers To				Totals
	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Nonmajor Internal Service	
General	\$ 1,349,801	\$ 1,488,350	\$ 2,040,000	\$ 430,992	\$ 5,309,143
Water	100,000	-	-	-	100,000
Nonmajor Special Revenue	5,055,029	109,268	1,195,000	-	6,359,297
Nonmajor Capital Projects	204,078	-	-	-	204,078
Transfer Totals	<u>\$ 6,708,908</u>	<u>\$ 1,597,618</u>	<u>\$ 3,235,000</u>	<u>\$ 430,992</u>	<u>\$ 11,972,518</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.

**NOTE N – ENCUMBRANCES**

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

At December 31, 2012, encumbrances outstanding in governmental funds and proprietary funds which were reappropriated in the 2012 budget were:

General Fund	\$ 383,891
DD Board	23,812
ADAMHS Board	84,680
Non-Major Special Revenue Funds	3,352,693
Non-Major Capital Projects Funds	308,787
Enterprise Funds	234,654
Non-Major Internal Service Funds	<u>889</u>
Total	<u>\$4,389,406</u>

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE N – ENCUMBRANCES (CONTINUED)**

On the GAAP basis, a portion of these encumbrances represented accrued liabilities of the County. At December 31, 2012 encumbrances less these accrued liabilities were:

General Fund	\$ 186,724
DD Board	4,032
ADAMHS Board	51,051
Non-Major Special Revenue Funds	2,689,150
Non-Major Capital Projects Funds	260,981
Enterprise Funds	29,418
Non-Major Internal Service Funds	<u>889</u>
Total	<u><u>\$3,222,245</u></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.

**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 \$22.0 million reported as landfill closure and post closure care liability at December 31, 2012, represents the cumulative amount reported to date based on the use of 89.2% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$3.7 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 2012. 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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE Q – RELATED PARTY TRANSACTIONS**

During 2012, 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 \$105,066 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.

**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 2012 as compared to the previous year. Insurance premiums paid to private carriers during 2012 were approximately \$0.8 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 \$126,905 and dental claims of \$39,914, have been accrued based upon a review of the January, 2013 billings provided by the County Commissioners' Office.

The total claims liability of \$166,819 reported in the internal service fund at December 31, 2012, 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.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE R – RISK MANAGEMENT (CONTINUED)**

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>				
2010	\$168,010	\$3,312,480	\$3,324,712	\$ 155,778
2011	155,778	4,070,552	3,999,207	227,123
2012	227,123	4,218,548	4,572,576	126,905
<u>Dental</u>				
2010	23,986	658,253	625,236	57,003
2011	57,003	680,533	697,294	40,242
2012	40,242	710,285	710,613	39,914

**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 2012 was \$844,423.

**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**NOTE T – DEFICIT FUND BALANCES/NET POSITION**

At December 31, 2012, the following funds had deficit fund balances/net position:

Juvenile Court Computerization	\$104,935
Garage	66,539
Mailroom	5,830

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 Garage and Mailroom Funds are the result of recognizing expenses on the accrual basis of accounting. These deficits did not exist on the cash basis of accounting. The General Fund provides operating transfers to these funds when cash is required, not when accruals occur.

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

**NOTE U – SUBSEQUENT EVENTS**

On July 23, 2013, the County retired \$2,850,000 in bond anticipation notes and reissued \$2,000,000 in notes for the improvement of the County Service Garage. The new notes have an interest rate of 1.00 percent and mature on July 23, 2014.

In November of 2013, the County refunded previously issued bonds for \$9,435,000 with an average coupon rate of five percent.

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LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through the Ohio Department of Education:</i>			
Nutrition Cluster			
National School Breakfast Program	10.553	N/A	\$9,925
National School Lunch Program - Cash Disbursements	10.555	N/A	<u>15,916</u>
Total Nutrition Cluster			25,841
<i>Passed through the Ohio Department of Jobs and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFFB12	577,030
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFFB13	137,116
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFF112	<u>4,616</u>
<i>Subtotal CFDA 10.561</i>			<u>718,762</u>
<b>SUBTOTAL U.S. DEPARTMENT OF AGRICULTURAL</b>			<u>744,603</u>
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			
<i>Direct programs:</i>			
Community Development Block Grant/Entitlements Grants Cluster			
Community Development Block Grants/Entitlements Grants	14.218	B-11-UC-390007	938,159
Community Development Block Grants/Entitlements Grants	14.218	B-10-UC-390007	660,139
Community Development Block Grants/Entitlements Grants	14.218	B-09-UC-390007	834
Community Development Block Grants/Entitlements Grants	14.218	B-08-UC-390007	29,929
Community Development Block Grants/Entitlements Grants	14.218	B-06-UC-390007	11,350
Community Development Block Grants/Entitlements Grants	14.218	B-08-UN-39-0005	<u>1,545,975</u>
<i>Subtotal CFDA 14.218</i>			<u>3,186,386</u>
Community Development Block Grants/Entitlements Grants - ARRA	14.253	B-09-UY-39-0007	<u>54,804</u>
Total Community Development Block Grant/Entitlements Grants Cluster			3,241,190
Shelter Plus Care	14.238	N/A	200,218
Shelter Plus Care	14.238	N/A	<u>160,126</u>
<i>Subtotal CFDA 14.238</i>			<u>360,344</u>
Home Investment Partnership Program	14.239	M-07-UC-390201	74,979
Home Investment Partnership Program	14.239	M-09-UC-390201	57,697
Home Investment Partnership Program	14.239	M-10-UC-390201	372,924
Home Investment Partnership Program	14.239	M-11-UC-390201	341,121
Home Investment Partnership Program	14.239	M-12-UC-390201	<u>12,866</u>
<i>Subtotal CFDA 14.239</i>			<u>859,587</u>
Homeless Prevention and Rapid Rehousing Program - ARRA	14.257	S-09-UY-39-007	<u>166,127</u>
<b>SUBTOTAL U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<u>4,627,248</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed through the Ohio Department of Youth Services:</i>			
Juvenile Accountability Block Grants	16.523	2010-JB-009-A002	\$11,719
<i>Passed Through the Ohio Attorney General's Office:</i>			
Crime Victims Assistance	16.575	2012VAGENE039	105,561
Crime Victims Assistance	16.575	2013VAGENE039	<u>33,627</u>
<i>Subtotal CFDA 16.575</i>			139,188
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants - ARRA	16.588	2011-WF-VA5-8211A	50,000
<i>Passed Through the City of Mansfield Police Department</i>			
Forensic DNA Backlog Reduction Program	16.741	2011-DN-BX-K446	45,101
Forensic DNA Backlog Reduction Program	16.741	2012-DN-BX-0030	<u>10,029</u>
<i>Subtotal CFDA 16.741</i>			55,130
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Paul Coverdell Forensic Sciences Improvement Grant	16.742	2011-PC-NFS-7802	21,253
<i>Direct program:</i>			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Governments	16.804	2011-DJ-BX-0021	<u>33,575</u>
<b>SUBTOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>310,865</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Employment Service/Wagner-Peyser Funded Activities	17.207	JFSFES11	54,633
Employment Service/Wagner-Peyser Funded Activities	17.207	JFSFES12	<u>12,906</u>
<i>Subtotal CFDA 17.207</i>			67,539
Workforce Investment Act (WIA) Cluster			
WIA Adult Program	17.258	JFSFAP11	3,076
WIA Adult Program	17.258	JFSFAF12	35,427
WIA Adult Program	17.258	JFSFAF11	57,334
WIA Adult Program	17.258	JFSFAP11	17,094
WIA Adult Program	17.258	JFSFAF12	225,785
WIA Adult Program	17.258	JFSFAP12	<u>29,498</u>
<i>Subtotal CFDA 17.258</i>			368,214
WIA Youth Activities	17.259	JFSFYF10	\$19,388
WIA Youth Activities	17.259	JFSFYF11	302,167
WIA Youth Activities	17.259	JFSFYF12	<u>14,026</u>
<i>Subtotal CFDA 17.259</i>			335,581
WIA Dislocated Workers - ARRA	17.278	JFSFNJ09S	34,605
WIA Dislocated Worker Formula Grants	17.278	JFSFDF11	8,233
WIA Dislocated Worker Formula Grants	17.278	JFSFDP11	9,322
WIA Dislocated Worker Formula Grants	17.278	JFSFDF12	5,954
WIA Dislocated Worker Formula Grants	17.278	JFSFDF11	183,253
WIA Dislocated Worker Formula Grants	17.278	JFSFDP11	41,552
WIA Dislocated Worker Formula Grants	17.278	JFSFDF12	312,002
WIA Dislocated Worker Formula Grants	17.278	JFSFDP12	<u>48,433</u>
<i>Subtotal CFDA 17.278</i>			643,354
Total Workforce Investment Act (WIA) Cluster			<u>1,347,149</u>
<b>SUBTOTAL U.S. DEPARTMENT OF LABOR</b>			<u>1,414,688</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
<b>U.S. FEDERAL HIGHWAY ADMINISTRATION</b>			
<i>Passed Through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	20.205	N/A	<u>1,113,757</u>
<b>SUBTOTAL U.S. FEDERAL HIGHWAY ADMINISTRATION</b>			<u>1,113,757</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<i>Direct program:</i>			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	N/A	<u>227,403</u>
<b>SUBTOTAL U.S. DEPARTMENT OF ENERGY</b>			<u>227,403</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through the Ohio Department of Education:</i>			
Special Education Cluster			
Special Education: Grants to States	84.027	070037-6BSF-2011P	67,912
Special Education: Preschool Grants	84.173	070037-PGS1-2011P	<u>16,437</u>
Total Special Education Cluster			<u>84,349</u>
<b>SUBTOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>84,349</u>
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>			
<i>Passed Through the Ohio Secretary of State:</i>			
Help America Vote Act Requirements Payments	90.401	N/A	<u>23,190</u>
<b>SUBTOTAL U.S. ELECTION ASSISTANCE COMMISSION</b>			<u>23,190</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through the Ohio Department of Alcohol &amp; Drug Addiction Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	BG43	313,792
Block Grants for Prevention and Treatment of Substance Abuse	93.959	BG43	346,695
Block Grants for Prevention and Treatment of Substance Abuse	93.959	43-01316-WOMEN-T-12-9013	33,753
Block Grants for Prevention and Treatment of Substance Abuse	93.959	43-01316-WOMEN-T-13-9013	33,729
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	16,388
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	16,365
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	3,310
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>2,155</u>
<i>Subtotal CFDA 93.959</i>			<u>766,187</u>
<i>Passed Through the Ohio Secretary of State:</i>			
Voting Access for Individuals with Disabilities Grants to States	93.617	N/A	6,102
<i>Passed Through the Ohio Department of Health:</i>			
Injury Prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-05-12	57,046
Injury prevention and Control Research and State and Community Based Programs	93.136	43-1-002-4-VW-06-13	<u>2,804</u>
<i>Subtotal CFDA 93.136</i>			<u>59,850</u>
<i>Passed Through the Ohio Department of Mental Health:</i>			
Projects for Assistance in Transition from Homelessness	93.150	N/A	50,000
Block Grants for Community Health Services	93.958	BG 12-100-17-032	32,330
Block Grants for Community Health Services	93.958	N/A	69,974
Block Grants for Community Health Services	93.958	N/A	<u>68,632</u>
<i>Subtotal CFDA 93.958</i>			<u>170,936</u>

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>			
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Promoting Safe and Stable Families	93.556	JFSFPF12	\$5,145
Promoting Safe and Stable Families	93.556	JFSFPF13	833
Promoting Safe and Stable Families	93.556	JFSFPF12	24,178
Promoting Safe and Stable Families	93.556	JFSFPF13	3,474
Promoting Safe and Stable Families	93.556	JFSFPF12	4,510
Promoting Safe and Stable Families	93.556	JFSFPF13	835
Promoting Safe and Stable Families	93.556	JFSFPF12	8,869
Promoting Safe and Stable Families	93.556	JFSFPF13	1,406
Promoting Safe and Stable Families	93.556	JFSFMC12	272
Promoting Safe and Stable Families	93.556	JFSFMC13	97
Promoting Safe and Stable Families	93.556	JFSFMC12	2,172
Promoting Safe and Stable Families	93.556	JFSFMC13	876
Promoting Safe and Stable Families	93.556	JFSFPF12	63,235
Promoting Safe and Stable Families	93.556	JFSFPF13	15,998
<i>Subtotal CFDA 93.556</i>			131,900
Temporary Assistance for Needy Families	93.558	JFSFTF12	1,433,542
Temporary Assistance for Needy Families	93.558	JFSFTF13	148,158
Temporary Assistance for Needy Families	93.558	JFSFTF12	1,043
Temporary Assistance for Needy Families	93.558	JFSFTF12	205,675
Temporary Assistance for Needy Families	93.558	JFSFTF13	350,586
Temporary Assistance for Needy Families	93.558	JFSFTF12	7,676
Temporary Assistance for Needy Families	93.558	JFSFTF11	650
<i>Subtotal CFDA 93.558</i>			2,147,330
Child Support Enforcement	93.563	N/A	219,692
Child Support Enforcement	93.563	N/A	223,843
Child Support Enforcement	93.563	JFSFCS12	1,510,842
Child Support Enforcement	93.563	JFSFCS13	448,056
Child Support Enforcement	93.563	JFSFCS12	325,910
<i>Subtotal CFDA 93.563</i>			2,728,343
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFPF12	3,905
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFPF13	2,311
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFPF12	34,529
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFPF13	20,796
<i>Subtotal CFDA 93.645</i>			61,541
Foster Care Title IV-E	93.658	JFSOLF12	882,466
Foster Care Title IV-E	93.658	JFSOLF13	924,639
Foster Care Title IV-E	93.658	JFSFFC12	151,829
Foster Care Title IV-E	93.658	JFSFFC12	50,426
<i>Subtotal CFDA 93.658</i>			2,009,360
Adoption Assistance	93.659	JFSFAA12	415,748
Adoption Assistance	93.659	JFSFAA13	114,073
Adoption Assistance	93.659	JFSFAA12	700
Adoption Assistance	93.659	JFSFAA13	2,153
<i>Subtotal CFDA 93.659</i>			532,674
Chaffe Foster Care Independence Program	93.674	JFSFIL12	16,037
Chaffe Foster Care Independence Program	93.674	JFSFIL13	3,885
<i>Subtotal CFDA 93.674</i>			19,922

LAKE COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Federal CFDA No.	Grant Number	Disbursements
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>			
<i>Passed Through the Ohio Department of Jobs and Family Services (Continued):</i>			
Children's Health Insurance Program	93.767	JFSFSH12	11,727
Children's Health Insurance Program	93.767	JFSFSH13	<u>1,577</u>
<i>Subtotal CFDA 93.767</i>			<u>13,304</u>
<i>Passed Through the Ohio Department of Mental Health:</i>			
Social Services Block Grant	93.667	N/A	85,390
Social Services Block Grant	93.667	N/A	<u>55,987</u>
			141,377
<i>Passed Through the Ohio Department of Developmental Disabilities (DD):</i>			
Social Services Block Grant	93.667	N/A	183,474
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Social Services Block Grant	93.667	JFSFSS12	310,798
Social Services Block Grant	93.667	JFSFSS13	107,733
Social Services Block Grant	93.667	JFSFTX12	507,578
Social Services Block Grant	93.667	JFSFTX13	<u>200,000</u>
			1,126,109
<i>Subtotal CFDA 93.667</i>			<u>1,450,960</u>
<i>Passed Through the Ohio Department of Jobs and Family Services:</i>			
Child Care Block Grant Cluster			
Child Care and Development Block Grant	93.575	JFSFCD12	60,920
Child Care and Development Block Grant	93.575	JFSFCD13	3,154
Child Care and Development Block Grant	93.575	JFSFCD12	88,284
Child Care and Development Block Grant	93.575	JFSFCD13	<u>88,266</u>
<i>Subtotal CFDA 93.575</i>			240,624
Total Child Care Block Grant Cluster			<u>240,624</u>
<b>SUBTOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>10,389,033</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through the Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grant	97.042	DPSFE186/38556	35,190
Emergency Management Performance Grant	97.042	DPSFE170/33899	<u>103,803</u>
<i>Subtotal CFDA 97.042</i>			138,993
Homeland Security Grant Program	97.067	DPSFE154/32554	18,605
Homeland Security Grant Program	97.067	DPSFE154/30868	1,350
Homeland Security Grant Program	97.067	DPSFE177/34957	13,300
Homeland Security Grant Program	97.067	DPSFE174/36748	12,390
Homeland Security Grant Program	97.067	DPSFE146/20644	20,448
Homeland Security Grant Program	97.067	DPSFE154/27969	38,245
Homeland Security Grant Program	97.067	DPSFE174/35111	2,113
Homeland Security Grant Program	97.067	DPSFE145/30691	<u>3,175</u>
			109,626
<i>Passed Through the Cuyahoga County, Department of Public Safety &amp; Justice Service</i>			
Homeland Security Grant Program	97.067	FY09 SHSP-LE	13,630
Homeland Security Grant Program	97.067	FY10 SHSP-LE	<u>67,965</u>
<i>Subtotal CFDA 97.067</i>			191,221
<i>Passed Through the Ohio Emergency Management Agency:</i>			
Border Interoperability Demonstration Project	97.120	DPSFE166/33118	<u>2,015,218</u>
<b>SUBTOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>2,345,432</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$21,280,568</u></u>

The accompanying note is an integral part of this schedule

**LAKE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D - 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 E – PRIOR YEAR CHILDCARE PROGRAM EXPENDITURE 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 2012, ODJFS adjusted the County's Child Care Mandatory and Matching Funds program expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2011). Therefore, these July 2012 adjustments affect 2011 calendar-year program expenditures previously reported as follows:

<b>Program</b>	<b>CFDA Number</b>	<b>Pass Through Number</b>	<b>2011 Federal Expenditures Reported</b>	<b>July 2012 Adjustment Amount</b>	<b>Adjusted 2011 Federal Expenditures Reported</b>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund – grant number JFSFCM12	93.596	N/A	\$59,121	(\$59,121)	\$0

**CFDA – Catalog of Federal Domestic Assistance**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of Lake County, Ohio (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 13, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 13, 2014





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Lake County  
105 Main Street  
Painesville, Ohio 44077

To the Board of County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Lake County's (the County) compliance with the applicable 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 Lake County's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the County's major federal programs.

### ***Management's Responsibility***

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Lake County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

***Report on Internal Control Over Compliance***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 13, 2014

LAKE COUNTY  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 14.218, 14.253 – Community Development Block Grant Cluster; CFDA # 14.257 – ARRA - Homeless Prevention and Rapid Rehousing Program; CFDA # 93.558 - Temporary Assistance for Needy Families; CFDA # 93.563 - Child Support Enforcement; CFDA # 93.659 - Adoption Assistance; CFDA # 93.667 - Social Services Block Grant; CFDA # 97.042 - Emergency Management Performance Grant; CFDA # 97.067 - Homeland Security Grant Program; CFDA # 97.120 – Border Interoperability Demonstration Project.
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 638,417 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**LAKE COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(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  
FEBRUARY 27, 2014