



Lorenzo's
Pizza
Oberlin



EMH
Emergency Room
Avon



5 & Diner
Sheffield Village



Girl Scout
Camp
Henrietta Twp.



INDEPENDENT AUDITOR'S REPORT

The Board of County Commissioners,
County Auditor and County Treasurer
Lorain County
226 Middle Avenue
Elyria, OH 44035

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Lorain County, Ohio, (the County) as of and for the year ended December 31, 2005 which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Murray Ridge Production Center, Inc., a discretely presented component unit, which statements reflect total assets of \$1,605,404 as of June 30, 2005, and total revenues of \$1,583,627 for the year then ended. We did not audit the financial statements of the Lorain County Regional Airport Authority, a discretely presented component unit, which statements which reflect total assets of \$12,518,783 as of December 31, 2005, and total revenues of \$1,574,519 for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the Murray Ridge Production Center, Inc. and the Lorain County Regional Airport Authority, discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Murray Ridge Production Center, Inc. were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Job and Family Services, Children Services, Community Mental Health and MRDD for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Varney, Fink, & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

June 23, 2006

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2005

The discussion and analysis of Lorain County's financial performance provides an overall review of the County's financial activities for the year ended December 31, 2005. It is the intent of this discussion and analysis to look at the County's performance as a whole. Note that readers should also review the transmittal letter and the financial statements to further understand the County's financial performance.

Financial Highlights

Key financial highlights for 2005 are:

- The General Fund balance decreased \$1,865,245 or 5%.
- The County had an increase in sales tax revenues, real estate tax collections and investment income during 2005.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

These two statements report the County's net assets and the change in those assets. The change in net assets informs the reader as to whether, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, non-financial information such as changes in the County's tax base and the condition of the County's capital assets should also be evaluated.

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

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

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

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

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2005

The Government-wide Financial Statements can be found on pages 11-13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into the following three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds. Fund financial reports provide detailed information about those funds. Based on restriction on use of dollars in those funds, the County has established many funds that account for the multitude of services provided to our residents. However, these fund financial statements focus on the County's most significant funds. Lorain County's major funds are: General Fund, Board of Mental Retardation and Developmental Disabilities (MRDD), Children Services, Community Mental Health, Job and Family Services and Q Construction.

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

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

The County maintains several individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 14-19 of this report.

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

Proprietary Funds – The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an Enterprise Fund to account for its Sanitary Engineer operations and the Lorain County Transit System. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County used an Internal Service Fund to account for the medical self-insurance. The proprietary fund financial statements can be found on pages 26-29 of this statement.

Fiduciary Funds – Are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds is not available to support the County's own programs. The Fiduciary Fund financial statements can be found on page 30 of this statement.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-71 of this report.

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2005

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that can be found on pages 73-184 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of Lorain County, assets exceeded liabilities by \$294.0 million (\$283.5 million in governmental activities and \$10.5 million in business-type activities) as of December 31, 2005. The largest portion of the County's net assets (57.0%) is in unrestricted net assets and (38.9%) is in investment in capital assets (i.e.; buildings, land, equipment and machinery, infrastructure), less any related debt used to acquire those assets that is still outstanding. Lorain County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net assets are included in the following Table 1.

TABLE 1
NET ASSETS
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$213.9	\$205.3	\$ 1.0	\$ 1.1	\$214.9	\$206.4
Capital Assets, net	<u>135.6</u>	<u>134.8</u>	<u>11.6</u>	<u>11.3</u>	<u>147.2</u>	<u>146.1</u>
Total Assets	<u>\$349.5</u>	<u>\$340.1</u>	<u>\$12.6</u>	<u>\$ 12.4</u>	<u>\$362.1</u>	<u>\$352.5</u>
Liabilities						
Current and Other Liabilities	\$ 17.9	\$ 15.9	\$.7	\$ 1.1	\$ 18.6	\$ 17.0
Note Payable	4.7	-	-	-	4.7	-
Long-Term Liabilities due within one year	5.5	5.0	.2	.1	5.7	5.1
Long-Term Liabilities due in more than one year	<u>37.9</u>	<u>38.3</u>	<u>1.2</u>	<u>1.3</u>	<u>39.1</u>	<u>39.6</u>
Total Liabilities	<u>\$ 66.0</u>	<u>\$ 59.2</u>	<u>\$ 2.1</u>	<u>\$ 2.5</u>	<u>\$ 68.1</u>	<u>\$ 61.7</u>
Net Assets						
Invested in Capital Assets Net of Debt	\$104.1	\$101.8	\$ 10.4	\$ 10.0	\$114.5	\$111.8
Restricted:						
Highways and Streets	.8	6.5	-	-	.8	6.5
Justice Center	6.9	8.1	-	-	6.9	8.1
Sewer Projects	.2	-	-	-	.2	-
Capital Improvements	4.1	-	-	-	4.1	-
Unrestricted	<u>167.4</u>	<u>164.5</u>	<u>.1</u>	<u>(.1)</u>	<u>167.5</u>	<u>164.4</u>
Total Net Assets	<u>\$283.5</u>	<u>\$280.9</u>	<u>\$ 10.5</u>	<u>\$ 9.9</u>	<u>\$294.0</u>	<u>\$290.8</u>

At December 31, 2005, Unrestricted assets (\$167.4 million) may be used to meet the County's ongoing obligations to citizens and creditors.

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2005

Table 2 below, indicates the changes in net assets for the year ended December 31, 2005 and 2004.

TABLE 2
CHANGES IN NET ASSETS
(In Millions)

	Governmental		Business Type		Total	
	Activities		Activities			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program Revenues:						
Charge for Services	\$ 39.8	\$ 35.6	\$ 1.7	\$ 1.5	\$ 41.5	\$ 37.1
Operating Grants and Contributions	92.4	91.8	4.0	1.0	96.4	92.8
Capital Grants and Contributions	5.0	3.3	-	-	5.0	3.3
General Revenues:						
Taxes	74.6	70.4	-	-	74.6	70.4
Investment Income	4.7	2.6	-	-	4.7	2.6
Intergovernmental Revenue not						
Restricted to Specific Programs	10.6	10.7	-	-	10.6	10.7
Premium on Bonds, Including Interest	-	-	-	-	-	-
Other	.8	.8	-	-	.8	.8
Total Revenues	<u>\$227.9</u>	<u>\$215.2</u>	<u>\$ 5.7</u>	<u>\$ 2.5</u>	<u>\$233.6</u>	<u>\$217.7</u>
Program Expenses and Transfers						
General Government:						
Legislative and Executive	\$ 40.6	\$ 32.7	\$ -	\$ -	\$ 40.6	\$ 32.7
Judicial System	17.4	15.2	-	-	17.4	15.2
Public Safety	24.6	22.4	-	-	24.6	22.4
Public Works	14.0	15.4	-	-	14.0	15.4
Health	41.8	44.8	-	-	41.8	44.8
Human Services	83.1	73.4	-	-	83.1	73.4
Economic Development and Assistance	1.1	.6	-	-	1.1	.6
Intergovernmental	.6	.6	-	-	.6	.6
Interest and Fiscal Charges	1.6	1.9	-	-	1.6	1.9
Transfers	.5	1.0	(.5)	(1.0)	-	-
Sewer System	-	-	1.2	1.2	1.2	1.2
County Transit	-	-	4.4	3.5	4.4	3.5
Total Expenses	<u>\$225.3</u>	<u>\$208.0</u>	<u>\$5.1</u>	<u>\$3.7</u>	<u>\$230.4</u>	<u>\$211.7</u>
Change in Net Assets	2.6	7.2	.6	(1.2)	3.2	6.0
Net Assets – Beginning	<u>280.9</u>	<u>273.7</u>	<u>9.9</u>	<u>11.1</u>	<u>290.8</u>	<u>284.8</u>
Net Assets – Ending	<u>\$283.5</u>	<u>\$280.9</u>	<u>\$10.5</u>	<u>\$ 9.9</u>	<u>\$294.0</u>	<u>\$290.8</u>

Governmental Activities

Tax revenue accounts for \$74,630,281 of the \$227,886,816 total revenue for governmental activity, or 32.7% of total revenue. The major recipients of intergovernmental revenue were the General Fund receiving \$9,074,292 and the Job and Family Services, receiving \$1,537,658.

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2005

The County's direct charges to users of governmental services made up \$39,785,498 or 17.5% of total governmental revenue. These charges are for fees for real estate transfers, collection of taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human Services accounts for \$83,130,352 of the \$224,847,298 total expenses for governmental activities, or 37% of total expenditures. The next largest program is Health, which equals \$41,789,536 or 18.6% of total governmental expenses.

Business-Type Activities

The net assets for the business-type activities for the County increased by \$631,153 during the year 2005. Major revenue sources were Charges for Services of \$1,755,791 and Operating Grants of \$4,038,387.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$106,825,755, a decrease of \$3,381,140 in comparison with the prior year. Approximately 75% of this total amount, or \$79,984,558 is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not readily available for new spending since it has already been committed to (1) liquidate contracts and purchase orders from the prior or current period of \$11,426,686, (2) to pay debt service of \$231,421, or (3) for a variety of other restricted purposes of \$15,183,090.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the General Funds unreserved balance was \$22,041,962, while the total fund balance reached \$37,680,396. As a measure of the General Funds liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 40% of total General Fund expenditures, while total fund balance represents 69% of that same amount.

The fund balance of the County's General Fund decreased by approximately \$1,865,631 or 4.7%. This decrease is due in part to an increase in healthcare and insurance costs, increased spending on Economic Development and Public Safety. Offsetting the increase is additional interest income from rising interest and investment rates.

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

The fund balance of the Job and Family Services increased by approximately \$428,058.

The fund balance for Children Services Board increased by \$694,064. The increase is due to increased tax collections and funding amounts in state grants and timing issues on when monies are received.

The fund balance for the Community Mental Health Board increased approximately \$1.2 million due to strong tax levy collections and an increase in Intergovernmental Revenue.

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2005

The fund balance for the Board of Mental Retardation and Developmental Disabilities experienced a net increase of 1,242,911 due primarily to increased state and federal funding and an increase on tax revenues.

The Q Construction fund balance decreased by \$3.7 million due to actual construction costs incurred.

Enterprise Funds - The County's Enterprise Funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Sewer fund totaled \$(161,088) and the increase in net assets of the Sewer Fund was \$316,337 for the year. The County Transit Fund unrestricted net assets totaled \$290,917 at year end and net assets increased \$314,816 during the year.

General Fund Budgetary Highlights

As, required by State statute, the Board of County Commissioners adopts an annual appropriation (budget) resolution, effective the first day of January, for all County funds under its jurisdiction. In addition to the County General Fund, ninety-seven (97) active funds representing various governmental, proprietary and fiduciary activities are included in the annual appropriation process.

The fiscal dynamics of the County General Fund may be summarized as follows for 2004 and 2005:

	2004	2005	Increase/(Decrease)
Fund Balance at Beginning of Year	\$21,245,689	\$22,200,589	\$954,900
Revenues	54,119,124	55,295,305	1,176,181
Expenditures	49,588,711	53,481,669	3,892,958
Advances/Transfers In/(Out)	(3,575,513)	(3,604,239)	(28,726)
Fund Balance at End Of Year	\$22,200,589	\$20,409,986	\$(1,790,603)

The ending year County General Fund balance decreased \$1,790,603 or 8.1% as compared to Year 2004. This decrease is a reflection of the total Fund activity, in terms of Revenues, Expenditures and Transfers/Advances. Revenues increased by \$1,176,181 (2.2%) represented by strong increase in Interest income component. Expenditures increased by \$3,892,958 (7.8%) represented by increases in Judicial, Public Safety, Human Services and Capital Outlay areas combined with a major increase in the Legislative & Executive area. The national, state and local economies continued to recover from the recession of 2001 and 2002 and solid growth in 2005. However, we have to take note that increases to The County General Fund Expenditures exceeded increases in The County General Fund Revenues by \$2,716,777.

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

The County General Fund is organized and structured on the basis of forty-six (46) Departments and Cost Centers – each with its own set of budgeted line item accounts. For continued growth restraint of County General Fund Expenditures, Commissioners continued several budget policy decisions initiated with the 2003 County General Fund Budget for all Departments:

- 1) Department Salaries & Wages and their associated line item accounts were carefully scrutinized and increased or decreased where necessary.

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2005

- 2) Mandated line item accounts were reviewed and increased, decreased or maintained at their 2003 levels as required by the Ohio Revised Code.
- 3) Supplies and Equipment line item accounts were maintained at their 2003 levels.
- 4) Travel and Staff Training line item accounts were maintained at their 2003 levels.
- 5) Discretionary departmental line item accounts were maintained at their 2003 levels.

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

	Service Component	2004 Budget	% Of Total 2004 Budget	2005 Budget	% Of Total 2005 Budget	\$ Increase/ (Decrease)	% Increase/ (Decrease)
1.	Legislative/Executive	\$25,412,010	51.2%	\$27,621,804	51.6%	\$2,209,794	8.7%
2.	Judicial	13,967,829	28.2%	14,698,031	27.5%	730,202	5.2%
3.	Public Safety	6,765,060	13.6%	7,133,858	13.3%	368,798	9.8%
4.	Capital Outlay	356,355	0.7%	733,667	1.4%	377,312	105.9%
5.	Human Services	2,356,041	4.8%	2,563,727	4.8%	207,686	8.8%
6.	Inter-Governmental	465,222	1.0%	464,284	0.9%	(938)	(0.2%)
7.	Public Works	262,795	0.5%	262,774	0.5%	(21)	0.0%
8.	Health	3,399	0.0%	3,524	0.0%	125	3.8%
	Total Expenditures	\$49,588,711	100.0%	\$53,481,669	100.0%	\$3,892,958	7.8%

Legislative/Executive and Judicial components are responsible for approximately four-fifths (79.1%) of all General Fund Expenditures in 2005, a \$2,939,996 (7.5%) increase as compared to Year 2004. These two service components contain the majority of all personnel who receive salaries and benefits from the County General Fund. One line-item account within these components that is responsible for a large portion of the increased expenditures is the increase cost for employee health insurance & prescription drug coverage. Future issues that will have an effect on the expenditures side of the County General Fund, as related to employee staffing will be the creation of a "Family Court" by combining the current Domestic Relations and Probate Courts and the addition of a sixth Judge to the County Court of Common Pleas.

Capital Assets and Debt Administration

Capital Assets – The County's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$147,254,352 (net of accumulated depreciation). This investment in capital assets includes land, building structures and improvements, vehicles, furniture, fixtures and equipment and infrastructure.

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

Debt Administration

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

Moody's Investors Services had assigned an "Aa3" bond rating for Year 2005 for the County and Fitch's had assigned an "AA" rating to the County for Year 2005 bonding needs. These high ratings afford the County flexibility in borrowing when necessary to receive extremely attractive rates due to the financial community's belief that the County's financial operations will remain satisfactory due to management's conservative approach to its annual budgeting process.

Lorain County, Ohio
Management's Discussion and Analysis
December 31, 2005

Year 2005 ended with Lorain County General Obligation (G.O.) Bond Indebtedness being \$26,890,000. Excluding the County's April 2002 20-year G.O. Bond current \$17,990,000 debt balance for a new \$45,000,000 Justice Center, total G.O. Bond Indebtedness was \$8,900,000 at year-end 2005 as compared with year-end 2004 of \$9,460,000 a decrease of \$560,000 (6.0%). This increase is attributed to issuing \$3,165,000 in new G.O. Bonds for the County's Human Service Building which is fully reimbursable to the County by State monies; and \$2,035,000 in the debt service, is attributed to capital funding needs of the County Engineer's Office, with yearly debt service amounts also fully reimbursed to the County which is secured by the Motor Vehicle Gas Tax Revenues of that office. Lorain County's outstanding G.O. Notes obligation currently is \$4,690,000 of which \$3,990,000 will become due on September 2006 and \$700,000 will become due in March 2006 and has been rolled-over to \$725,000 which is due August, 2006.

General Obligation Bonds	
Human Service Building & Juvenile Facilities	\$ 5,175,000
Engineer's Office	2,035,000
Board of Elections	1,690,000
	<u>8,900,000</u>
Justice Center	17,990,000
Total	<u>\$26,890,000</u>

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 5.8%, which is a decrease from the rate of 6.7% a year ago. The state average unemployment rate was 5.9% and the national average was 5.1%.
- Inflationary trends in the region compare favorably; unfavorably to national indices.

During the current fiscal year, unreserved fund balances in the general fund decreased from \$26,035,198 to \$22,041,962. The County has prepared a budget for 2006 without appropriating any of the unreserved balance. The County prepared a revenue-balanced budget for the General Fund without an increase in taxes or increase in fees or charges for services.

Request for Information

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

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

Lorain County, Ohio
Statement of Net Assets
December 31, 2005

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets:				
Cash and Cash Equivalents	\$ 112,671,034	\$ 1,068,683	\$ 113,739,717	\$ 627,722
Cash with Fiscal and Escrow	652,847	-	652,847	-
Cash in Segregated Accounts	280,493	-	280,493	-
Investments	-	-	-	879,602
Receivables, Net of Allowances	98,666,268	410,806	99,077,074	537,197
Internal Balances	500,409	(500,409)	-	-
Due from Component Units	83,247	-	83,247	-
Inventory	1,064,765	245	1,065,010	-
Prepaid Expenses	-	-	-	13,000
Deposits	-	-	-	1,000
Non-Current Assets:				
Bond Fund Program Reserves	-	-	-	2,507,208
Capital Assets not being Depreciated	7,614,049	513,327	8,127,376	3,320,556
Capital Assets, net of Depreciation	127,993,237	11,133,739	139,126,976	8,783,171
Total Assets	<u>349,526,349</u>	<u>12,626,391</u>	<u>362,152,740</u>	<u>16,669,456</u>
Liabilities:				
Accounts Payable	13,542,334	731,085	14,273,419	442,585
Claims Payable	2,041,285	-	2,041,285	-
Intergovernmental Payable	2,248,753	15,927	2,264,680	126,866
Deferred Revenue	-	-	-	35,571
Note Payable	4,690,000	-	4,690,000	-
Noncurrent Liabilities:				
Due within One Year	5,519,759	159,587	5,679,346	-
Due in more than One Year	37,942,520	1,153,313	39,095,833	93,005
Total Liabilities	<u>65,984,651</u>	<u>2,059,912</u>	<u>68,044,563</u>	<u>698,027</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	104,113,393	10,436,650	114,550,043	12,010,867
Restricted:				
Highways & Streets	798,615	-	798,615	-
Justice Center	6,870,002	-	6,870,002	-
Sewer Projects	238,355	-	238,355	-
Bond Fund Program Reserves	-	-	-	2,507,208
Capital Improvements	4,125,574	-	4,125,574	9,428
Donor Restricted	-	-	-	635,849
Unrestricted	167,395,759	129,829	167,525,588	808,077
Total Net Assets	<u>\$ 283,541,698</u>	<u>\$ 10,566,479</u>	<u>\$ 294,108,177</u>	<u>\$ 15,971,429</u>

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

Lorain County, Ohio
Statement of Activities
For the Year Ended December 31, 2005

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General Government -				
Legislative and Executive	\$ 40,580,422	\$ 23,729,716	\$ 449,461	\$ 4,663,300
Judicial	17,375,247	2,504,337	4,283,211	-
Public Safety	24,626,431	3,321,073	1,937,061	-
Public Works	13,997,321	1,144,414	7,273,062	291,357
Health	41,789,536	6,339,358	24,564,722	-
Human Services	83,130,352	2,746,600	52,332,956	-
Economic Development and Assistance	1,125,992	-	1,548,232	-
Intergovernmental	588,937	-	-	-
Interest on Long-Term Debt	1,633,060	-	-	-
Total Government Activities	<u>224,847,298</u>	<u>39,785,498</u>	<u>92,388,705</u>	<u>4,954,657</u>
Business-Type Activities:				
Sewer	1,210,218	1,064,909	-	-
County Transit	4,432,938	690,882	4,038,387	-
Total Business-Type Activities	<u>5,643,156</u>	<u>1,755,791</u>	<u>4,038,387</u>	<u>-</u>
Total Primary Government	<u>230,490,454</u>	<u>41,541,289</u>	<u>96,427,092</u>	<u>4,954,657</u>
Component Units:				
Lorain County Regional Airport Authority	923,360	105,948	303,000	1,141,545
Lorain County Port Authority	96,674	27,424	-	-
Murray Ridge Production Center, Inc.	1,596,704	1,508,859	38,904	-
Total Component Units	<u>\$ 2,616,738</u>	<u>\$ 1,642,231</u>	<u>\$ 341,904</u>	<u>\$ 1,141,545</u>

General Revenues:
Taxes
 Property and Other Taxes
 Sales
Intergovernmental Revenue
 not Restricted to Specific Programs
Investment Income
Other Income
Transfers
 Total General Revenues and Transfers
 Changes in Net Assets
Net Assets - Beginning (As restated in Note 2)
Net Assets - Ending

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

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

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (11,737,945)	\$ -	\$ (11,737,945)	\$ -
(10,587,699)	-	(10,587,699)	-
(19,368,297)	-	(19,368,297)	-
(5,288,488)	-	(5,288,488)	-
(10,885,456)	-	(10,885,456)	-
(28,050,796)	-	(28,050,796)	-
422,240	-	422,240	-
(588,937)	-	(588,937)	-
(1,633,060)	-	(1,633,060)	-
<u>(87,718,438)</u>	<u>-</u>	<u>(87,718,438)</u>	<u>-</u>
-	(145,309)	(145,309)	-
-	296,331	296,331	-
-	151,022	151,022	-
<u>(87,718,438)</u>	<u>151,022</u>	<u>(87,567,416)</u>	<u>-</u>
-	-	-	627,133
-	-	-	(69,250)
-	-	-	(48,941)
-	-	-	<u>508,942</u>
52,589,365	-	52,589,365	-
22,040,916	-	22,040,916	-
10,611,950	-	10,611,950	-
4,696,239	-	4,696,239	106,411
819,486	18,485	837,971	19,250
(461,646)	461,646	-	-
<u>90,296,310</u>	<u>480,131</u>	<u>90,776,441</u>	<u>125,661</u>
2,577,872	631,153	3,209,025	634,603
280,963,826	9,935,326	290,899,152	15,338,826
<u>\$ 283,541,698</u>	<u>\$ 10,566,479</u>	<u>\$ 294,108,177</u>	<u>\$ 15,973,429</u>

Lorain County, Ohio
Balance Sheet
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Job & Family Services</u>	<u>Children Services</u>	<u>Community Mental Health</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 20,501,722	\$ 2,294,483	\$ 6,501,950	\$ 10,868,875
Cash with Fiscal Agent	-	-	-	-
Cash in Segregated Accounts	-	-	-	-
Receivables, Net of Allowances	15,994,846	9,035,089	13,369,747	11,824,547
Notes Receivable	-	-	-	-
Due from Other Funds	2,828,139	1,829	332,154	-
Due from Component Units	83,247	-	-	-
Advances to Other Funds	12,944,978	-	-	-
Materials and Supplies Inventory	206,922	21,951	2,898	3,526
Total Assets	<u>\$ 52,559,854</u>	<u>\$ 11,353,352</u>	<u>\$ 20,206,749</u>	<u>\$ 22,696,948</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 3,368,517	\$ 968,747	\$ 550,952	\$ 567,966
Contracts Payable	239,172	774,699	-	-
Retainage Payable	16,150	-	-	-
Intergovernmental Payable	711,135	302,727	171,619	22,905
Deferred Revenue	10,539,615	6,005,975	12,154,923	10,087,634
Due to Other Funds	4,869	1,105,136	16,770	-
Advance from Other Funds	-	-	-	-
Notes Payable	-	-	-	-
Total Liabilities	<u>14,879,458</u>	<u>9,157,284</u>	<u>12,894,264</u>	<u>10,678,505</u>
Fund Balances:				
Reserved for:				
Encumbrances	2,486,533	374,968	5,421	100,866
Inventory	206,923	21,951	2,898	3,526
Advances	12,944,978	-	-	-
Loans	-	-	-	220,220
Notes Receivable	-	-	-	-
Debt Service	-	-	-	-
Unreserved (Deficit), reported in:				
General Fund	22,041,962	-	-	-
Special Revenue Funds	-	1,799,149	7,304,166	11,693,831
Capital Projects Funds	-	-	-	-
Total Fund Balances	<u>37,680,396</u>	<u>2,196,068</u>	<u>7,312,485</u>	<u>12,018,443</u>
Total Liabilities and Fund Balances	<u>\$ 52,559,854</u>	<u>\$ 11,353,352</u>	<u>\$ 20,206,749</u>	<u>\$ 22,696,948</u>

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

<u>MRDD</u>	<u>Q Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 15,134,015	\$ 13,163,858	\$ 34,607,896	\$ 103,072,799
-	-	652,847	652,847
-	-	280,493	280,493
20,959,053	1,162,034	25,556,266	97,901,582
-	-	599,467	599,467
5,181	-	212,911	3,380,214
-	-	-	83,247
-	-	-	12,944,978
153,373	-	676,095	1,064,765
<u>\$ 36,251,622</u>	<u>\$ 14,325,892</u>	<u>\$ 62,585,975</u>	<u>\$ 219,980,392</u>

\$ 1,123,821	\$ 1,150	\$ 2,864,692	\$ 9,445,845
14,172	1,830,608	766,244	3,624,895
-	-	3,688	19,838
300,348	-	740,019	2,248,753
18,499,295	847,369	18,599,052	76,733,863
2,018	1,139,000	1,536,121	3,803,914
-	11,918,086	669,443	12,587,529
-	4,690,000	-	4,690,000
<u>19,939,654</u>	<u>20,426,213</u>	<u>25,179,259</u>	<u>113,154,637</u>

294,914	5,125,596	3,038,388	11,426,686
153,373	-	676,095	1,064,766
-	-	-	12,944,978
-	-	-	220,220
-	-	953,126	953,126
-	-	231,421	231,421
-	-	-	22,041,962
15,863,681	-	31,372,355	68,033,182
-	(11,225,917)	1,135,331	(10,090,586)
<u>16,311,968</u>	<u>(6,100,321)</u>	<u>37,406,716</u>	<u>106,825,755</u>
<u>\$ 36,251,622</u>	<u>\$ 14,325,892</u>	<u>\$ 62,585,975</u>	<u>\$ 219,980,392</u>

(This Page Intentionally Left Blank)

Lorain County, Ohio
 Reconciliation of Total Governmental Funds Balances
 to Net Assets of Governmental Activities
 December 31, 2005

Total governmental funds balances	\$	106,825,755
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds.		135,555,651
Long term liabilities, including sick leave, vacation, personal time, and compensated absences are not due in the current period and therefore are not reported in the funds.		(11,968,386)
Deferrals from prior period already recorded in the net assets are now due and recorded in the fund balances		76,733,863
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(31,493,893)
Internal service funds are used by management to charge the cost of insurance and other services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		<u>7,888,708</u>
Net assets of governmental activities	\$	<u><u>283,541,698</u></u>

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

Lorain County, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	<u>General</u>	<u>Job & Family Services</u>	<u>Children Services</u>	<u>Community Mental Health</u>
REVENUES				
Taxes:				
Property	\$ 10,077,901	\$ -	\$ 6,663,196	\$ 9,762,353
Sales	14,696,476	-	-	-
Charges for Services	1,633,686	-	-	-
Licenses and Permits	11,128,623	-	-	-
Fines and Forfeitures	1,587,759	-	-	-
Special Assessments	-	-	-	-
Intergovernmental Revenue	11,119,543	29,712,974	8,790,310	15,452,914
Interest Income	4,632,072	-	-	-
Miscellaneous Revenue	1,403,430	-	39,015	-
Total Revenues	<u>56,279,490</u>	<u>29,712,974</u>	<u>15,492,521</u>	<u>25,215,267</u>
EXPENDITURES				
Current:				
General Government				
Legislative and Executive	28,651,945	-	-	-
Judicial	14,756,923	-	-	-
Public Safety	7,136,408	-	-	-
Public Works	263,501	-	-	-
Health	3,524	-	-	24,011,753
Human Services	2,553,724	29,284,907	14,799,966	-
Economic Development and Assistance	14,402	-	-	-
Intergovernmental	588,937	-	-	-
Debt Service:				
Principal Paid	-	-	-	-
Interest Paid	-	-	-	-
Capital Outlay	749,817	-	-	-
Total Expenditures	<u>54,719,181</u>	<u>29,284,907</u>	<u>14,799,966</u>	<u>24,011,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,560,309</u>	<u>428,067</u>	<u>692,555</u>	<u>1,203,514</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	14,883	-	-	-
Transfers Out	(3,440,437)	-	-	-
Payment of Refunded Bond Escrow Agent	-	-	-	-
Proceeds of Refunding Bond	-	-	-	-
Premium on Refunding Bonds	-	-	-	-
Accrued Interest on Refunding Bonds	-	-	-	-
Premium on Notes	-	-	-	-
Total Other Financing Sources (Uses)	<u>(3,425,554)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,865,245)	428,067	692,555	1,203,514
Fund Balances at Beginning of Year (Restated-see Note 2)	39,546,027	1,768,010	6,618,421	10,817,062
Increase (Decrease) in Reserve for Inventory	<u>(386)</u>	<u>(9)</u>	<u>1,509</u>	<u>(2,133)</u>
Fund Balances at End of Year	<u>\$ 37,680,396</u>	<u>\$ 2,196,068</u>	<u>\$ 7,312,485</u>	<u>\$ 12,018,443</u>

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

<u>MRDD</u>	<u>Q Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 18,855,727	\$ -	\$ 3,492,110	\$ 48,851,287
-	-	7,344,440	22,040,916
613,665	-	9,157,835	11,405,186
261,775	-	4,095,252	15,485,650
-	-	2,124,578	3,712,337
-	-	356,428	356,428
9,060,716	1,677,726	34,876,074	110,690,257
-	-	64,167	4,696,239
12,631	69,117	893,413	2,417,606
<u>28,804,514</u>	<u>1,746,843</u>	<u>62,404,297</u>	<u>219,655,906</u>
-	-	8,169,175	36,821,120
-	-	261,274	15,018,197
-	-	16,402,333	23,538,741
-	-	9,108,856	9,372,357
81,724	-	19,433,571	43,530,572
25,506,556	-	11,404,435	83,549,588
-	-	1,090,701	1,105,103
-	-	-	588,937
-	-	1,530,662	1,530,662
-	-	1,633,060	1,633,060
-	4,942,039	259,182	5,951,038
<u>25,588,280</u>	<u>4,942,039</u>	<u>69,293,249</u>	<u>222,639,375</u>
<u>3,216,234</u>	<u>(3,195,196)</u>	<u>(6,888,952)</u>	<u>(2,983,469)</u>
-	-	5,260,847	5,275,730
(1,999,000)	(461,646)	(14,883)	(5,915,966)
-	-	(5,726,245)	(5,726,245)
-	-	5,560,000	5,560,000
-	-	310,053	310,053
-	-	12,642	12,642
-	-	36,668	36,668
<u>(1,999,000)</u>	<u>(461,646)</u>	<u>5,439,082</u>	<u>(447,118)</u>
1,217,234	(3,656,842)	(1,449,870)	(3,430,587)
15,069,057	(2,443,479)	38,831,797	110,206,895
<u>25,677</u>	<u>-</u>	<u>24,789</u>	<u>49,447</u>
<u>\$ 16,311,968</u>	<u>\$ (6,100,321)</u>	<u>\$ 37,406,716</u>	<u>\$ 106,825,755</u>

Lorain County, Ohio
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2005

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

Net change in fund balance - total government funds	\$ (3,430,587)
Deferrals from prior period already recorded in the net assets are now due and recorded in revenue.	76,733,863
Deferrals recorded in the governmental funds for the year have previously been reported in net assets and must be removed.	(73,745,916)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current period.	1,868,627
Expenses for accrued items, including sick leave, vacation, personal time, and compensated absences are not due in the current period and therefore are not reported in the funds.	(11,968,386)
Expenses for prior period items, including sick leave, vacation, personal time, and compensated absences are now due in the current period and therefore are recorded in the fund balances and not in the Statement of Activities.	10,265,073
Expenses incurred as a result of asset disposition in the current period	(1,127,655)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,560,662
Expenses related to changes in inventory not included with governmental activities	49,447
Net revenue of certain activities of internal service funds is reported with governmental activities	<u>2,372,744</u>
Change in net assets of governmental activities	<u><u>\$ 2,577,872</u></u>

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

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues						
Property and Other Taxes	\$ 9,774,598	\$ 10,074,794	\$ 10,074,794	\$ -	\$ 10,074,794	\$ -
Sales Tax	13,400,000	14,784,676	14,784,676	-	14,784,676	-
Charges for Services	1,843,698	1,592,869	1,596,510	-	1,596,510	3,641
Licenses, Permits and Fees	9,648,882	11,031,645	11,151,362	-	11,151,362	119,717
Fines and Forfeitures	1,250,500	1,596,348	1,608,479	-	1,608,479	12,131
Intergovernmental	11,026,391	10,946,090	10,946,090	-	10,946,090	-
Interest	2,249,326	4,077,452	4,094,431	-	4,094,431	16,979
Other	1,209,284	1,036,175	1,038,963	-	1,038,963	2,788
Total Revenues	50,402,679	55,140,049	55,295,305	-	55,295,305	155,256
Expenditures						
Current:						
General Government:						
Legislative and Executive	29,675,369	30,979,244	27,621,804	865,854	28,487,658	2,491,586
Judicial	14,552,277	15,366,681	14,698,031	58,060	14,756,091	610,590
Public Safety	6,977,746	7,382,217	7,133,858	106,357	7,240,215	142,002
Public Works	278,260	278,360	262,774	12,490	275,264	3,096
Health	4,971	4,971	3,524	-	3,524	1,447
Human Services	2,664,939	2,695,041	2,563,727	16,690	2,580,417	114,624
Capital Outlay	1,016,268	2,887,046	733,667	1,826,252	2,559,919	327,127
Intergovernmental	490,390	484,873	464,284	3,400	467,684	17,189
Total Expenditures	55,660,220	60,078,433	53,481,669	2,889,103	56,370,772	3,707,661
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,257,541)	(4,938,384)	1,813,636	(2,889,103)	(1,075,467)	3,862,917
Other Financing Sources (Uses)						
Advances - In	2,009,559	3,326,692	3,329,692	-	3,329,692	3,000
Advances - Out	-	(3,604,626)	(3,599,432)	-	(3,599,432)	5,194
Operating Transfers - In	-	105,938	105,938	-	105,938	-
Operating Transfers - Out	(16,591,527)	(13,290,044)	(3,440,437)	-	(3,440,437)	9,849,607
Total Other Financing (Uses)	(14,581,968)	(13,462,040)	(3,604,239)	-	(3,604,239)	9,857,801
(Deficiency) of Revenues and Other Financing Uses (Under) Expenditures and Other Financing Uses	(19,839,509)	(18,400,424)	(1,790,603)	\$ (2,889,103)	\$ (4,679,706)	\$ 13,720,718
Fund Balance at Beginning of Year	22,200,589	22,200,589	22,200,589			
Fund Balance at End of Year	\$ 2,361,080	\$ 3,800,165	\$ 20,409,986			

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

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
Job and Family Services
For the Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues						
Intergovernmental	\$ 24,283,979	\$ 27,269,947	\$ 27,269,947	\$ -	\$ 27,269,947	\$ -
Total Revenues	24,283,979	27,269,947	27,269,947	-	27,269,947	-
Expenditures						
Current:						
Human Services:						
Salaries and Wages	7,725,290	7,615,290	7,558,622	-	7,558,622	56,668
Fringe Benefits	3,103,882	2,826,742	2,810,484	123	2,810,607	16,135
Supplies and Materials	314,674	303,712	244,245	57,344	301,589	2,123
Equipment	339,651	151,833	122,961	23,790	146,751	5,082
Contractual Services	13,503,466	16,841,092	15,979,784	400,130	16,379,914	461,178
Fees	486,819	299,923	299,923	-	299,923	-
Other	77,000	937,702	934,580	391	934,971	2,731
Total Expenditures	25,550,782	28,976,294	27,950,599	481,778	28,432,377	543,917
(Deficiency) of Revenues						
(Under) Expenditures	(1,266,803)	(1,706,347)	(680,652)	\$ (481,778)	\$ (1,162,430)	\$ 543,917
Fund Balance at Beginning of Year	2,975,135	2,975,135	2,975,135			
Fund Balance at End of Year	\$ 1,708,332	\$ 1,268,788	\$ 2,294,483			

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

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
Children Services
For the Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues						
Property and Other Taxes	\$ 6,311,378	\$ 6,509,422	\$ 6,509,422	\$ -	\$ 6,509,422	\$ -
Intergovernmental	6,966,000	7,483,452	8,205,633	-	8,205,633	722,181
Other	100,500	39,040	39,074	-	39,074	34
Total Revenues	<u>13,377,878</u>	<u>14,031,914</u>	<u>14,754,129</u>	<u>-</u>	<u>14,754,129</u>	<u>722,215</u>
Expenditures						
Current:						
Human Services:						
Salaries and Wages	7,065,000	7,065,000	6,822,681	-	6,822,681	242,319
Fringe Benefits	2,267,384	2,287,384	2,228,153	-	2,228,153	59,231
Supplies and Materials	147,360	187,360	104,585	1,705	106,290	81,070
Equipment	980,000	950,000	346,856	-	346,856	603,144
Contractual Services	6,396,350	6,147,350	4,599,244	-	4,599,244	1,548,106
Other	758,920	977,920	701,233	3,716	704,949	272,971
Total Expenditures	<u>17,615,014</u>	<u>17,615,014</u>	<u>14,802,752</u>	<u>5,421</u>	<u>14,808,173</u>	<u>2,806,841</u>
(Deficiency) of Revenues						
(Under) Expenditures	(4,237,136)	(3,583,100)	(48,623)	<u>\$ (5,421)</u>	<u>\$ (54,044)</u>	<u>\$ 3,529,056</u>
Fund Balance at Beginning of Year	6,174,235	6,174,235	6,174,235			
Fund Balance at End of Year	<u>\$ 1,937,099</u>	<u>\$ 2,591,135</u>	<u>\$ 6,125,612</u>			

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

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
Community Mental Health
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Encumbrances	Actual Plus Encumbrances	Variance with Final Budget Positive (Negative)
Revenues						
Property and Other Taxes	\$ 9,357,948	\$ 9,642,864	\$ 9,642,864	\$ -	\$ 9,642,864	\$ -
Intergovernmental	8,142,003	17,102,928	14,893,224	-	14,893,224	(2,209,704)
Other	-	87	87	-	87	-
Total Revenues	17,499,951	26,745,879	24,536,175	-	24,536,175	(2,209,704)
Expenditures						
Current:						
Health:						
Salaries and Wages	675,000	718,000	711,447	-	711,447	6,553
Fringe Benefits	218,200	269,023	224,141	-	224,141	44,882
Supplies and Materials	92,231	127,432	81,171	-	81,171	46,261
Equipment	36,200	237,700	196,652	-	196,652	41,048
Contractual Services	15,138,088	25,774,475	22,231,878	-	22,231,878	3,542,597
Capital Outlay	5,000	2,168,000	2,062,134	100,866	2,163,000	5,000
Other	303,595	450,527	319,934	-	319,934	130,593
Total Expenditures	16,468,314	29,745,157	25,827,357	100,866	25,928,223	3,816,934
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,031,637	(2,999,278)	(1,291,182)	(100,866)	(1,392,048)	1,607,230
Other Financing Sources						
Advances - In	-	200,000	200,000	-	200,000	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	1,031,637	(2,799,278)	(1,091,182)	<u>\$ (100,866)</u>	<u>\$ (1,192,048)</u>	<u>\$ 1,607,230</u>
Fund Balance at Beginning of Year	11,574,820	11,574,820	11,574,820			
Fund Balance at End of Year	\$ 12,606,457	\$ 8,775,542	\$ 10,483,638			

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

Lorain County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)
MRDD
For the Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues						
Property and Other Taxes	\$ 18,184,419	\$ 18,744,771	\$ 18,744,771	\$ -	\$ 18,744,771	\$ -
Charges for Services	83,000	613,665	613,665	-	613,665	-
Intergovernmental	7,081,000	8,211,580	8,211,580	-	8,211,580	-
Other	9,000	7,576	7,576	-	7,576	-
Total Revenues	25,357,419	27,577,592	27,577,592	-	27,577,592	-
Expenditures						
Current:						
Human Services:						
Salaries and Wages	12,050,000	12,450,000	12,286,594	-	12,286,594	163,406
Fringe Benefits	5,523,000	5,602,000	5,484,899	-	5,484,899	117,101
Supplies and Materials	437,434	421,515	343,102	37,951	381,053	40,462
Equipment	293,707	506,757	423,596	26,919	450,515	56,242
Contractual Services	5,198,986	6,410,812	5,360,999	482,592	5,843,591	567,221
Capital Outlay	84,806	84,806	72,290	10,500	82,790	2,016
Other	605,450	1,458,827	1,424,506	9,429	1,433,935	24,892
Total Expenditures	24,193,383	26,934,717	25,395,986	567,391	25,963,377	971,340
Excess of Revenues Over Expenditures	1,164,036	642,875	2,181,606	(567,391)	1,614,215	971,340
Other Financing Uses						
Operating Transfers - Out	(1,625,000)	(1,999,000)	(1,999,000)	-	(1,999,000)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(460,964)	(1,356,125)	182,606	<u>\$ (567,391)</u>	<u>\$ (384,785)</u>	<u>\$ 971,340</u>
Fund Balance at Beginning of Year	14,317,036	14,317,036	14,317,036			
Fund Balance at End of Year	\$ 13,856,072	\$ 12,960,911	\$ 14,499,642			

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

Lorain County, Ohio
Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2005

	Enterprise Fund			Governmental Activity
	<u>Sewer System</u>	<u>County Transit</u>	<u>Totals</u>	<u>Internal Service Fund</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 308,706	\$ 759,977	\$ 1,068,683	\$ 9,598,235
Receivables, Net of Allowance	186,219	224,587	410,806	165,219
Due from Other Funds	6,320	4,564	10,884	577,544
Inventory	245	-	245	-
Total Current Assets	501,490	989,128	1,490,618	10,340,998
Noncurrent Assets:				
Capital Assets, Net of Depreciation:				
Land	51,684	-	51,684	-
Construction In Progress	461,646	-	461,646	-
Vehicles	-	1,107,628	1,107,628	-
Buildings & Improvements	-	242,367	242,367	-
Sewer Plant	47,174	-	47,174	-
Sewer Lines	9,159,503	-	9,159,503	-
Water Lines	577,064	-	577,064	-
Total Noncurrent Assets	10,297,071	1,349,995	11,647,066	-
Total Assets	\$ 10,798,561	\$ 2,339,123	\$ 13,137,684	\$ 10,340,998
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 55,842	\$ 675,243	\$ 731,085	\$ 400,121
Sick Leave, Vacation Payable	31,223	4,883	36,106	-
Claims and Judgments Payable	-	-	-	2,041,285
Due to Other Funds	153,844	-	153,844	-
Intergovernment Payable	11,649	4,278	15,927	-
Advance from Other Funds	357,449	-	357,449	-
OWDA Loan - Current	123,481	-	123,481	-
Total Current Liabilities	733,488	684,404	1,417,892	2,441,406
Noncurrent Liabilities:				
Matured Compensated Absences	52,570	13,807	66,377	-
OWDA Loan	1,086,936	-	1,086,936	-
Total Noncurrent Liabilities	1,139,506	13,807	1,153,313	-
Total Liabilities	1,872,994	698,211	2,571,205	2,441,406
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	9,086,655	1,349,995	10,436,650	-
Unrestricted	(161,088)	290,917	129,829	7,899,592
Total Net Assets	8,925,567	1,640,912	10,566,479	7,899,592
Total Liabilities and Net Assets	\$ 10,798,561	\$ 2,339,123	\$ 13,137,684	\$ 10,340,998

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

Lorain County, Ohio
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	<u>Enterprise Fund</u>			<u>Governmental</u>
	<u>Sewer</u> <u>System</u>	<u>County</u> <u>Transit</u>	<u>Totals</u>	<u>Activity</u> <u>Internal</u> <u>Service</u> <u>Fund</u>
Operating Revenues:				
Charges for Services	\$ 1,064,909	\$ 690,882	\$ 1,755,791	\$ 18,573,080
Grants and Contributions	-	4,038,387	4,038,387	-
Other	-	18,485	18,485	-
Total Operating Revenues	<u>1,064,909</u>	<u>4,747,754</u>	<u>5,812,663</u>	<u>18,573,080</u>
Operating Expenses:				
Contract Services	242,795	4,005,106	4,247,901	1,372,810
Personal Services	390,841	154,081	544,922	-
Fringe Benefits	136,683	82,546	219,229	-
Depreciation	279,827	152,217	432,044	-
Claims Expense	-	-	-	14,997,388
Supplies and Materials	22,477	9,685	32,162	375
Miscellaneous	64,006	24,361	88,367	5,273
Total Operating Expenses	<u>1,136,629</u>	<u>4,427,996</u>	<u>5,564,625</u>	<u>16,375,846</u>
Operating Income/(Loss)	<u>(71,720)</u>	<u>319,758</u>	<u>248,038</u>	<u>2,197,234</u>
Nonoperating (Expenses):				
Materials and Maintenance	(10,419)	(4,942)	(15,361)	-
Interest and Fiscal Charges	(63,170)	-	(63,170)	-
Total Non-operating (Expenses)	<u>(73,589)</u>	<u>(4,942)</u>	<u>(78,531)</u>	<u>-</u>
Income/(Loss) Before Operating Transfers	<u>(145,309)</u>	<u>314,816</u>	<u>169,507</u>	<u>2,197,234</u>
Transfers In	461,646	-	461,646	178,590
Change in Net Assets	<u>316,337</u>	<u>314,816</u>	<u>631,153</u>	<u>2,375,824</u>
Net Assets at Beginning of Year	8,609,230	1,326,096	9,935,326	5,523,768
Net Assets at End of Year	<u>\$ 8,925,567</u>	<u>\$ 1,640,912</u>	<u>\$ 10,566,479</u>	<u>\$ 7,899,592</u>

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

Lorain County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	<u>Enterprise Fund</u>			<u>Governmental Activity</u>
	<u>Sewer System</u>	<u>County Transit</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 976,757	\$ 619,508	\$ 1,596,265	\$ 17,876,909
Cash Paid to Suppliers	(180,506)	(4,338,272)	(4,518,778)	(1,807,438)
Cash Paid for Claims	-	-	-	(14,618,837)
Cash Paid to Employees	(500,667)	(257,112)	(757,779)	-
Other Receipts	-	4,750,006	4,750,006	-
Net Cash Provided (Used) by Operating Activities	295,584	774,130	1,069,714	1,450,634
Cash Flows from Noncapital Financing Activities:				
Transfers In	461,646	-	461,646	178,590
Net Cash Provided (Used) by Noncapital Financing Activities	461,646	-	461,646	178,590
Cash Flows from Capital and Related Financing Activities:				
Capital Outlay	(472,066)	(274,230)	(746,296)	-
Principal Payments - OWDA Loans	(117,659)	-	(117,659)	-
Interest Paid	(63,170)	-	(63,170)	-
Net Cash (Used) by Capital and Related Financing Activities	(652,895)	(274,230)	(927,125)	-
Net Increase in Cash	104,335	499,900	604,235	1,629,224
Cash and Cash Equivalents, January 1, 2005	204,371	260,077	464,448	7,969,011
Cash and Cash Equivalents, December 31, 2005	<u>\$ 308,706</u>	<u>\$ 759,977</u>	<u>\$ 1,068,683</u>	<u>\$ 9,598,235</u>

(continued)

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

Lorain County, Ohio
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended December 31, 2005

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

	Enterprise Fund			Governmental Activity
	Sewer System	County Transit	Total	Internal Service Fund
Operating Income (Loss)	\$ (71,720)	\$ 319,758	\$ 248,038	\$ 2,197,234
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	279,827	152,217	432,044	-
(Increase) Decrease in Operating Assets:				
Accounts Receivable	(84,552)	(89,859)	(174,411)	(1,767)
Intergovernment Receivable	(3,600)	711,619	708,019	(116,860)
Due from Other Funds	(1,290)	(1,790)	(3,080)	(577,544)
Inventory	110	-	110	-
Increase (Decrease) in Operating Liabilities:				
Accounts Payable	21,366	(326,628)	(305,262)	(428,980)
Claims Payable	-	-	-	378,551
Sick Leave, Vacation Payable	10,148	7,963	18,111	-
Intergovernment Payable	(6,951)	850	(6,101)	-
Interfund Payable	152,246	-	152,246	-
Total Adjustments	<u>367,304</u>	<u>454,372</u>	<u>821,676</u>	<u>(746,600)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 295,584</u>	<u>\$ 774,130</u>	<u>\$ 1,069,714</u>	<u>\$ 1,450,634</u>

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

Lorain County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Agency Funds
Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 18,447,541
Cash and Cash Equivalents in Segregated Accounts	5,858,233
Property and Other Taxes	327,708,818
Special Assessments	18,976,906
Intergovernment Receivable	13,205,668
Total Assets	\$ 384,197,166
 Liabilities:	
Local Government Taxes Payable	\$ 12,866,970
Intergovernmental Payable	331,368,555
Undistributed Monies	39,961,641
Total Liabilities	\$ 384,197,166

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

Lorain County, Ohio
Combining Statement of Net Assets
Discretely Presented Component Units
Lorain County Regional Airport Authority - December 31, 2005
Lorain County Port Authority - December 31, 2005
Murray Ridge Production Center, Inc. - June 30, 2005

	Lorain County Regional Airport Authority	Lorain County Port Authority	Murray Ridge Production Center, Inc.	Total Component Units
Assets:				
Current Assets:				
Cash and Equivalents	\$ 187,124	\$ 38,061	\$ 402,537	\$ 627,722
Investments	-	-	879,602	879,602
Receivables, Net of Allowances	307,792	-	229,405	537,197
Deposits	-	-	1,000	1,000
Prepaid Expenses	13,000	-	-	13,000
Total Current Assets	<u>507,916</u>	<u>38,061</u>	<u>1,512,544</u>	<u>2,058,521</u>
Non-Current Assets				
Restricted Bond Fund Program Reserves	-	2,507,208	-	2,507,208
Total Non-Current Assets	<u>-</u>	<u>2,507,208</u>	<u>-</u>	<u>2,507,208</u>
Capital Assets, Net of Depreciation				
Land	2,153,589	-	-	2,153,589
Construction in Progress	1,166,967	-	-	1,166,967
Land Improvements	7,193,836	-	-	7,193,836
Buildings and Improvements	995,671	-	-	995,671
Transportation Equipment	53,279	-	-	53,279
Furniture and Equipment	447,525	-	-	447,525
Equipment	-	-	92,860	92,860
Total Capital Assets	<u>12,010,867</u>	<u>-</u>	<u>92,860</u>	<u>12,103,727</u>
Total Assets	<u>\$ 12,518,783</u>	<u>\$ 2,545,269</u>	<u>\$ 1,605,404</u>	<u>\$ 16,669,456</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 381,483	\$ 3,064	\$ 58,038	\$ 442,585
Intergovernmental Payable	-	126,866	-	126,866
Deferred Revenue	24,000	-	11,571	35,571
Total Current Liabilities	<u>405,483</u>	<u>129,930</u>	<u>69,609</u>	<u>605,022</u>
Non-Current Liabilities				
Due in More than One Year	93,005	-	-	93,005
Total Non-Current Liabilities	<u>93,005</u>	<u>-</u>	<u>-</u>	<u>93,005</u>
Total Liabilities	<u>498,488</u>	<u>129,930</u>	<u>69,609</u>	<u>698,027</u>
Net Assets:				
Invested in Capital Assets	12,010,867	-	-	12,010,867
Restricted	9,428	2,507,208	635,849	3,152,485
Unrestricted	<u>-</u>	<u>(91,869)</u>	<u>899,946</u>	<u>808,077</u>
Total Net Assets	<u>\$ 12,020,295</u>	<u>\$ 2,415,339</u>	<u>\$ 1,535,795</u>	<u>\$ 15,971,429</u>

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

Lorain County, Ohio

Statement of Activities

Discretely Presented Component Units

Lorain County Regional Airport Authority - For the Year Ended December 31, 2005

Lorain County Port Authority - For the Year Ended December 31, 2005

Murray Ridge Production Center, Inc. - For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>
Lorain County Regional Airport Authority			
Airport Operations	\$ 923,360	\$ 105,948	\$ 1,444,545
Lorain County Port Authority			
Economic Development	96,674	25,424	-
Murray Ridge Production Center, Inc.			
Production	1,596,704	1,508,859	38,904
Total Component Units	<u>\$ 2,616,738</u>	<u>\$ 1,640,231</u>	<u>\$ 1,483,449</u>

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

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

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

Lorain County Regional Airport Authority	Lorain County Port Authority	Murray Ridge Production Center, Inc.	Total Component Units
\$ 627,133	\$ -	\$ -	\$ 627,133
-	(71,250)	-	(71,250)
-	-	(48,941)	(48,941)
<u>\$ 627,133</u>	<u>\$ (71,250)</u>	<u>\$ (48,941)</u>	<u>\$ 506,942</u>
4,776	65,771	35,864	106,411
19,250	-	-	19,250
<u>24,026</u>	<u>65,771</u>	<u>35,864</u>	<u>125,661</u>
651,159	(5,479)	(13,077)	632,603
11,369,136	2,420,818	1,548,872	15,338,826
<u>\$ 12,020,295</u>	<u>\$ 2,415,339</u>	<u>\$ 1,535,795</u>	<u>\$ 15,971,429</u>