

# Lorain County

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## **Comprehensive Annual Financial Report**

For The Year Ended December 31, 2007

**Mark R. Stewart, Auditor**



# ***Introductory Section***

*Introductory Section*



**Lorain County Auditor  
Mark R. Stewart**

# Comprehensive Annual Financial Report

*For the Year Ended December 31, 2007*



## Lorain County Ohio

**Mark R. Stewart**  
Lorain County Auditor

*Prepared by:*

**J. Craig Snodgrass, CPA, CGFM**  
Chief Deputy Auditor

**Lillian C. Brand**  
Comptroller

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**LORAIN COUNTY, OHIO**  
**December 31, 2007**

**LORAIN COUNTY, OHIO  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

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# OFFICE OF THE AUDITOR

## LORAIN COUNTY, OHIO

**MARK R. STEWART**  
Auditor

June 27, 2008

Lorain County Commissioners:

Honorable Elizabeth C. Blair, President  
Honorable Ted Kalo  
Honorable Lori Kokoski

Citizens of Lorain County

I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the County of Lorain, Ohio, for the year ended December 31, 2007. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County, and specifically, the County Auditor's Office. This CAFR conforms to generally accepted accounting principles, as set forth by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources, and is representative of the County's commitment to provide financial information to the citizens of Lorain County. Preparation of this CAFR represents a continuing effort to improve the financial management of the County. The information contained in this CAFR will assist County officials in making management decisions and will provide the taxpayers of Lorain County with comprehensive financial data in a format that will enable them to gain a better understanding of the County's financial affairs.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

### **FORM OF GOVERNMENT AND REPORTING ENTITY**

Lorain County, established in 1822, is located in northeastern Ohio, approximately 30 miles west of Cleveland, and covers an area of 495 square miles. It encompasses 33 cities, villages, and townships, the largest being the city of Lorain. The county seat is located in Elyria, which is the second largest city in the County. According to the 2000 census, the County had a population of 284,664, making it the ninth most populous of the 88 counties in the State.

The County has only those powers, and powers incidental thereto, conferred upon it by the State Constitution and statutes. A three member Board of Commissioners (the Board) is elected at large in even-numbered years for four-year overlapping terms. The Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. The Board of Commissioners creates and adopts the annual

operating budget and makes the annual appropriation measure for expenditures of all County funds. In addition to the Board of Commissioners, the offices of County Auditor and County Treasurer, grouped under the category of general government, are of particular importance to financial affairs of the County.

The Auditor serves as the fiscal officer and property tax assessor for the County. One of the most important functions of the Auditor involves the assessing of real property for tax purposes. State law mandates a complete reappraisal of real property every six years as well as triennial updates between reappraisals. Once the County Treasurer collects taxes, the Auditor is responsible for distributing the tax settlement to the various governmental units. As chief fiscal officer of the County, no County contract or obligation may be made without the Auditor's certification that the funds have been lawfully appropriated, are available for payment, or are in the process of collection. In addition, the Auditor is responsible for the County payroll and has other statutory accounting functions. By State law the Auditor is secretary of the County Board of Revision and the County Budget Commission, and administrator of the County Data Processing Board.

The Treasurer collects property taxes, is the custodian of all funds and is responsible for investing all idle County funds as specified by law. The Treasurer is the distributing agent for expenditures authorized by the Board of Commissioners upon the Auditor's warrant. The Treasurer must make daily reports showing receipts, payments and balances to the County Auditor, and the books of account must always balance with those of the County Auditor. The Treasurer is a member of the County Budget Commission, which plays an important part in the financial administration of local governments throughout the County.

Other elected officials, serving four-year terms each, include Prosecutor, Sheriff, Engineer, Clerk of Courts, Recorder, and Coroner. Common Pleas Judges, Domestic Relations Judges, and the Probate Judge are also elected on a county-wide basis.

The County provides its citizens a wide range of services that include human and social services, health and community assistance services, road and bridge maintenance, and other general and administrative support services. The County also operates an enterprise fund sewer operation.

For financial reporting purposes, the County includes all funds, agencies, boards and commissions making up Lorain County (the Primary Government) and its Component Units in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organizations; or (2) the County is legally entitled to or can otherwise access the organizations 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. The Murray Ridge Production Center, Inc. and the Lorain County Port Authority have been included as discretely presented component units.

The County serves as fiscal agent for the following organizations which are included as agency funds in the report:

- Lorain County General Health District
- Lorain County Soil and Water Conservation District
- Local Emergency Planning Commission
- Lorain County Family and Children First Council
- Lorain Medina Community Based Correctional Facility

A complete discussion of the County's reporting entity is provided in Note 1 to the basic financial statements.

## **ECONOMIC CONDITION AND OUTLOOK**

Lorain County is well situated in a diverse, industrialized region on the southern shore of Lake Erie, within a one-hour drive of the major cities of Cleveland and Akron. Approximately one-third of the United States population lives within a 500-mile radius of the County. The County enjoys the benefits of urbanization, while also offering a

rural atmosphere and a variety of lifestyles for its inhabitants. The County is traversed by two major limited-access highways and a number of major State and U.S. Highways. Interstate Highways 80 and 90, major east-west transportation links, provide residents of the County direct access to major economic centers such as Chicago, Illinois, to the west and Cleveland, Ohio; Erie, Pennsylvania; and Buffalo and Rochester, New York to the east. State and U.S. Routes, such as U.S. 6 and 20 and State Routes 2, 57, 58, 254, and 611, provide excellent access to local and regional markets south, east and west. The excellent road network of the County has attracted over 41 common carriers that serve the area.

The County has access to other land transportation as well as sea or air. The County has access to major railroad systems and is currently served by Amtrak, ConRail, Norfolk and Southern, Chessie System and Lorain and West Virginia railroads. A major port located within the corporate limits of the County has facilities which provide ore-transshipping from ship to rail, and docks and other facilities for the receipt of gypsum ore, concrete and aggregates. The port is operated by the Lorain Port Authority, a political subdivision separate from the County. Air freight and air passenger service access is provided through the Lorain County Regional Airport in New Russia Township and Cleveland Hopkins International Airport and Burke Lakefront Airport in adjacent Cuyahoga County.

Numerous adult education opportunities complement the educational programs offered to the youth of the County. The Lorain County Community College provides the opportunity for the citizens of the County to further their education with associate degrees in various fields. The college has teamed-up with other major universities for students to obtain four-year and graduate degrees.

## **MAJOR INITIATIVES**

The County completed a number of projects in 2007, continued numerous other projects furthering its commitment to serve the public more efficiently and effectively in addition to promoting greater economic growth. The County continued to invest in the infrastructure with the repaving of highway miles and embarking on major sewer improvements in order to maintain the high level of service that the citizenry deserves.

The five-story County Administration Building opened in 1974 has been subject to extensive remodeling efforts initially commencing in 2005. Major renovations of heating and cooling systems, structural improvements coupled with electrical and technological upgrades were completed in 2007. Among the improvements new public hearing rooms were created and equipped with state of the art technology. Existing structures were refurbished to provide office space for County Commissioners and numerous departments and employees under their control. The fifth floor of the Administration Building was completely remodeled to house governmental, quasi-governmental and private enterprises in one location to foster a partnership between public and private enterprises to work jointly. An additional \$1.1 million was expended over the past two years by the Department of Children Services to renovate its 3<sup>rd</sup> floor location.

Another ongoing project is the restoration of the historic transportation hub that served the County many years ago. Nearly \$900,000 was spent in 2007 towards the long-term project. As funds become available, mainly through grants, work is done to renovate the historic structure. More than \$1.5 million has been spent to date. A major renovation to the County Records Center completed in 2007 was capitalized for approximately \$1.3 million. Also, to help address the needs of the public and alleviate parking deficiencies the County repaired and repaved various parking lots surrounding the County Administration Building and Justice Center that were capitalized in 2007 for \$235,000.

In May 2004 the County completed a new 228,000 square foot Justice Center. The total capitalized construction costs of the project amounted to \$41.7 million. The total costs of the project was \$46 million which included items other than the brick and mortar, was paid from cash reserves on hand, and issuance of \$25 million in bonds. The Justice Center was designed and built to accommodate for potential future growth. Since its opening, the County has expended an additional \$2.3 million in construction costs for the facility.

The County completed major renovations and complete rebuilds of its sanitary sewer lines, wastewater plants and pumping stations in 2007. Expenditures in excess of \$4 million were made with some incidental costs to be incurred in 2008. Nearly \$5 million in capitalized costs were added to the County fixed assets for these improvements. These

projects will provide more efficient operations and comply with mandated environmental protection orders. It will also better position the County to serve the demands placed on its systems in high populous growth areas of the County and help further spur development for these regions.

County leadership is continuously exploring options and potential projects that will better serve and meet the needs of the public and these are just a few ongoing initiatives.

## **DEPARTMENT FOCUS**

The featured department for this year's CAFR is the office of the Treasurer, Daniel J. Talarek.

The County Treasurer has numerous fiscal duties. His foremost responsibility is the collection of various taxes. The most noted and the largest dollar amounts are generated through the collection of Real Property Taxes. Other taxes collected by the County Treasurer are Mobile Home, Inheritance, Personal Property and Special Assessments.

The County Treasurer is the collector and safe keeper of all taxes collected in the taxing districts such as schools, cities, townships and villages. As the tax collector for these various entities, the County Treasurer must efficiently and effectively account for all monies collected in these districts in a timely manner.

In addition, the County Treasurer receives all monies collected by various other county departments for fees and maintains a record of these deposits. Daily and monthly financial statements are balanced with the County Auditor. Also, the County Treasurer redeems all warrants issued by the County Auditor.

Daniel J. Talarek as the Chief Investment Officer for the County, invests undisbursed funds for various periods of time which earns money for the county general operating fund. The dollars earned from these investments are a major source of revenue for the County. Thanks to him, Lorain County's investment income has increased each of the last four years resulting in record-setting interest earnings in the amount of \$9.1 million for 2007.

## **FINANCIAL INFORMATION**

**Basis of Accounting** The County's accounting system is organized on a "fund" basis. Each fund or account group is a distinct self-balancing accounting entity. For financial reporting purposes, Government-wide financial statements are prepared using the accrual basis of accounting, Governmental funds use the modified accrual basis of accounting, Enterprise funds and fiduciary funds use the accrual basis of accounting, the accounting records for all governmental and fiduciary funds are converted to the modified accrual basis, whereby revenues are recognized when measurable and available within the business cycle (within sixty days after year end), and expenditures are recognized when the fund liability is incurred.

Accounting records for the proprietary funds are converted to the accrual basis, whereby revenues are recognized when goods or services are measurable and earned, and expenses are recognized in the period in which they are incurred.

**Internal Accounting Control** In developing the County's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The County utilizes a fully automated accounting system as well as automated systems of control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment by the accounting department of the Auditor's Office, ensure that the financial information generated is both accurate and reliable.

**Budgetary Control** The Board of County Commissioners adopts a permanent appropriation measure in December of the previous year. All disbursements and transfers of cash between funds require appropriation authority.

Budgets are controlled at the departmental, personal services level within the general fund and at the fund personal services level for all other funds. Purchase orders are approved by the department heads and are encumbered prior to their release to vendors. Those purchase orders which exceed the available appropriation are rejected until additional resources are secured. A computerized certification system allows the Auditor's office to ascertain the status of a department's appropriation prior to authorizing additional purchases from a certain account.

**Debt Limitation** - At December 31, 2007, general obligation bonds outstanding totaled \$28,220,000. During 2007, \$1,620,000 of general obligation bonds were retired. The County's total legal debt margin at December 31, 2007 was \$145,984,691.

The outstanding general obligation debt is primarily related to proceeds of bonds used either to construct or renovate buildings the County uses for its operations.

The County has a liability for loans from the Ohio Water Development Authority. Loan proceeds were used for ongoing sewer system improvements and are being repaid from special assessments charged to benefited property owners. At December 31, 2007, the special assessment liability for the loans was \$957,344.

Special Assessment Bonds outstanding at December 31, 2007, were \$3,997,451. Special Assessment Bonds are backed by the full faith and credit of the County. In the event of default by the property owners charged with the assessment, the County would be responsible for the debt service payments.

The County maintains an "A-1" credit rating on its long-term bonds from Moody's Investors Service, Inc. All bonds of the County are general obligation debt and are backed by its full faith and credit.

**Cash Management** - The County pools its cash to simplify cash management. All idle moneys are invested, with the earnings paid into the general fund and other qualifying funds as prescribed by Ohio law. The County invests in certificates of deposit, STAR Ohio, the State Treasurer's Investment Pool, U.S. Treasury Bills, U.S. Treasury notes, Federal Farm Credit Bank (FFCB) notes, Federal National Mortgage Association (FNMA) notes, Federal Home Loan Bank (FHLB) notes, Student Loan Market Association (SLMA) notes, National City Money Market Fund, Federal Home Loan Mortgage Company (FHLMC) notes, Federal securities, commercial paper, bankers acceptances and overnight repurchase agreements. Interest earned on investments is credited to the general fund, except as stipulated by State Statute or County resolution. Interest earnings for the primary government totaled \$9,084,162 during 2007.

A majority of the County's deposits are collateralized with securities held by the pledging financial institutions' trust department or agent in collateral pools that name the County as a participant. The face value of the pooled collateral must equal at least 110% of the public funds on deposit. The collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Risk Management** - The County maintains self-funded programs for health care benefits for County employees and their dependents. A risk manager monitors and processes all claims. The County carries stop loss insurance coverage for the health care program in the amounts of \$250,000 per occurrence. Vehicles and property are covered through the County Risk Sharing Authority (CORSA), and professional liability claims are covered through a contract with an external insurance company, the cost of which is allocated among both governmental and enterprise funds. Workers' compensation coverage is provided through participation in the State of Ohio Workers' Compensation program.

## **INDEPENDENT AUDIT**

Varney, Fink & Associates, Inc. conducted an independent audit with respect to the basic financial statements for the year ended December 31, 2007. The unqualified opinion appears in the financial section of this report.

In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996. Information related to this audit, including the schedule

of federal financial assistance, findings and recommendations, and the report on internal control and compliance are published in a separate report.

## **AWARDS**

### **GFOA Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lorain County for its Comprehensive Annual Financial Report for the year ended December 31, 2006. The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

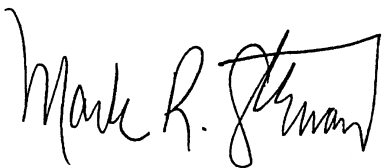
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

### **Acknowledgments**

The preparation of a financial document of this magnitude is the result of a combined effort of a number of dedicated individuals who deserve recognition for their efforts. I wish to extend my appreciation to the entire staff of the Auditor's office. Special thanks are extended to J. Craig Snodgrass, CPA, CGFM, Lillian Brand, Cheryl Litz, Carmella Phillips, Diane Schuster, Greg Holcomb, Maggie Barta, Jessica Basinski, Mike Resar, Lisa Hobart and the Budget Department.

In addition, I would like to express my appreciation to Steven G. Luca, CPA and James J. Czarny CPA of Frank, Seringer & Chaney, Inc. for their consultation and assistance in this project. Also, I wish to express my appreciation to the staff of the various County departments whose time and dedicated efforts made this report possible.

Respectfully yours,

A handwritten signature in black ink that reads "Mark R. Stewart". The signature is written in a cursive style with a large, stylized initial "M".

Mark R. Stewart  
Lorain County Auditor

# Lorain County, Ohio

Elected Officials

As of December 31, 2007

---

## **Board of Commissioners**

Elizabeth C. Blair

Ted Kalo

Lori Kokoski

## **County Auditor**

Mark R. Stewart

## **County Treasurer**

Daniel J. Talarek

## **Prosecuting Attorney**

Dennis Will

## **Clerk of Courts**

Ron Nabakowski

## **Coroner**

Paul M. Matus

## **Sheriff**

Phil R. Stammitti

## **Common Pleas Court Judges**

Edward M. Zaleski

James Burge

Raymond Ewers

Mark Betleski

Christopher Rothgery

James Miraldi

## **Probate Court Judge**

Frank J. Horvath

## **Domestic Relations Judges**

David A. Basinski

David Berta

Debra Boros

## **Engineer**

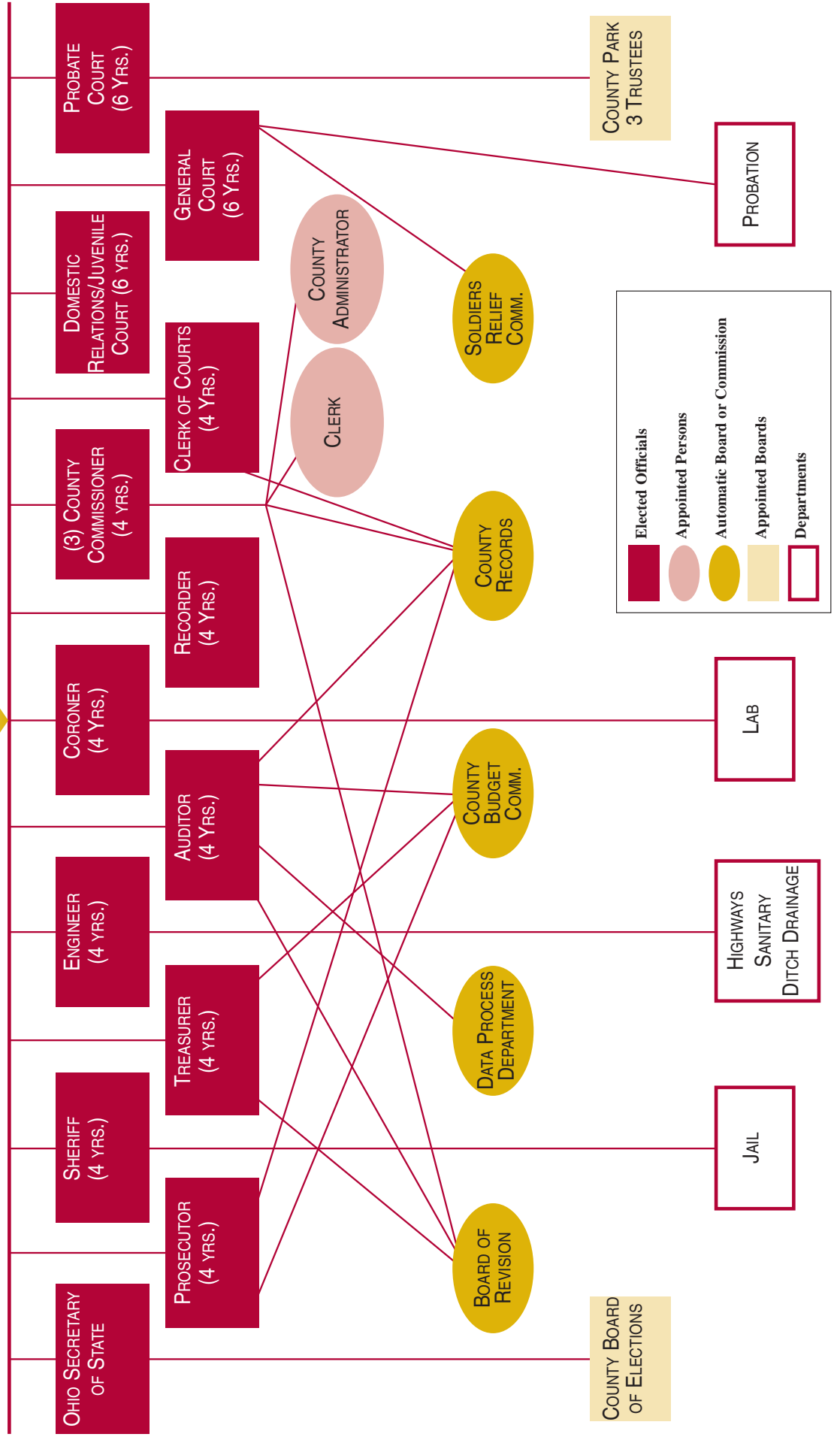
Kenneth P. Carney

## **Recorder**

Judy Nedwick

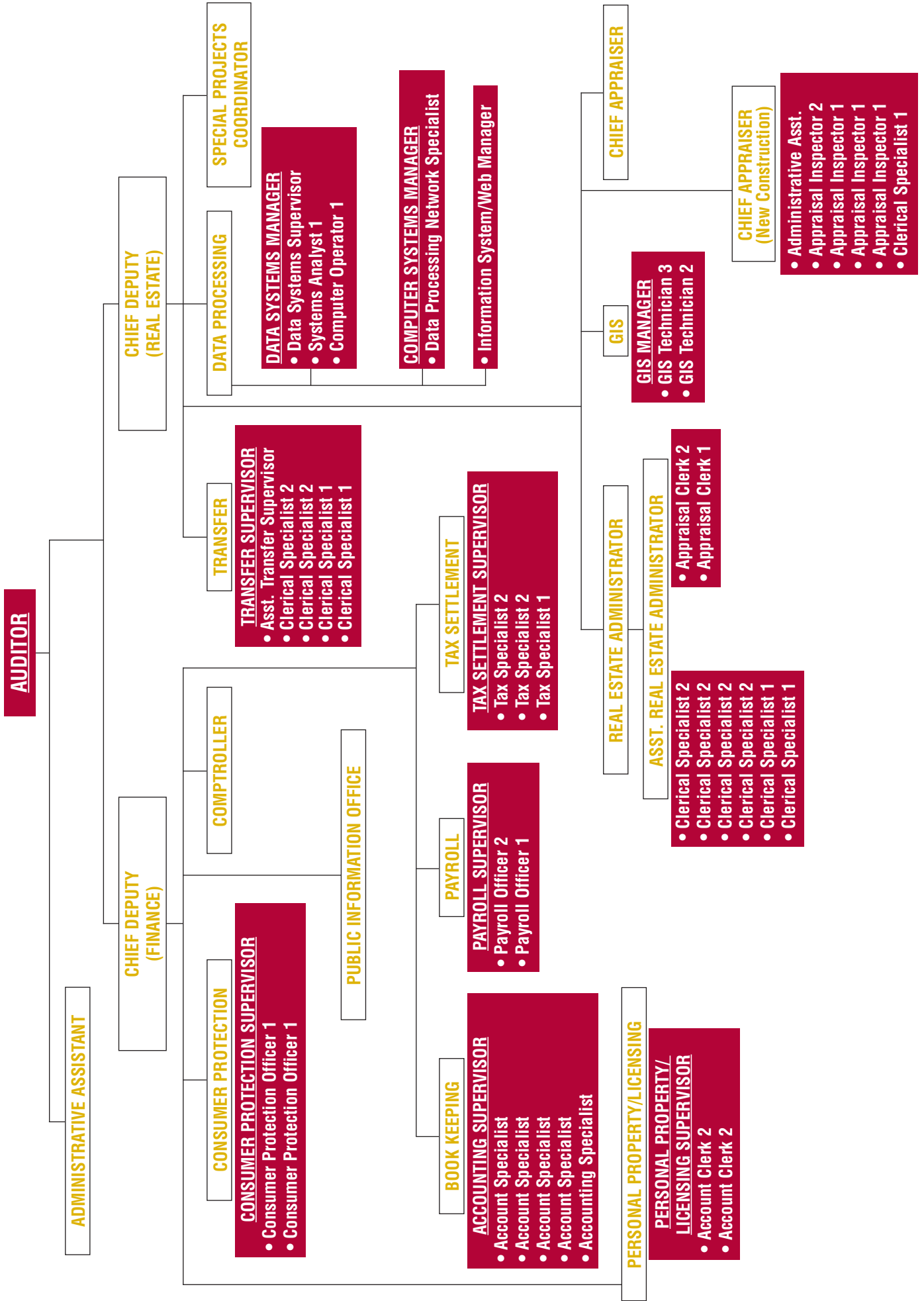
# Lorain County Government

## REGISTERED VOTERS





# Lorain County Auditor's Organizational Chart



# Chestnut Commons



# Detroit and State Route 83





## Downtown Wellington

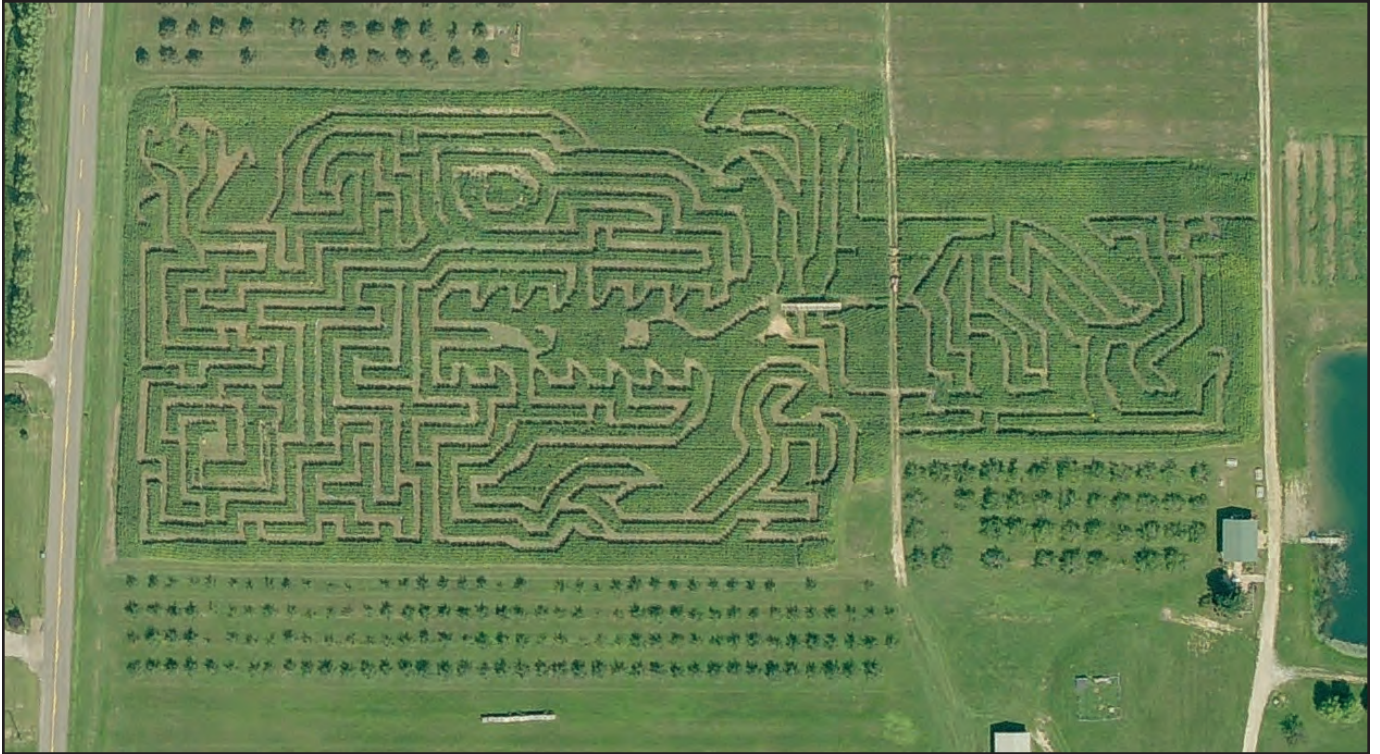


## Elyria - Hilltop Park





## Hillcrest Orchards Corn Maze



## Keystone LSD





## Lorain County Community College



## Lighthouse Village



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lorain County  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Cherie S. Cox*

President

*Jeffrey R. Emmer*

Executive Director