

# City of Lorain, Ohio

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## Comprehensive Annual Financial Report

For the Year Ended December 31, 2007





# Mary Taylor, CPA

Auditor of State

Members of the City Council  
City of Lorain  
200 W. Erie Ave. 6th Floor  
Lorain, Ohio 44052-1647

We have reviewed the *Independent Auditors' Report* of the City of Lorain, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Lorain is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

August 1, 2008

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# City of Lorain, Ohio

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## Comprehensive Annual Financial Report

For the Year Ended December 31, 2007

**Ronald L. Mantini**  
**Lorain City Auditor**

**City of Lorain, Ohio**  
*Comprehensive Annual Financial Report*  
*For the Year Ended December 31, 2007*  
*Table of Contents*

	<b>Page</b>
<b><i>I. Introductory Section</i></b>	
Title Page .....	i
Table of Contents .....	ii
Letter of Transmittal.....	v
GFOA Certificate of Achievement .....	x
List of Principal Officials .....	xi
Map of the City of Lorain with Council Wards.....	xii
Organizational Chart .....	xiii
 <b><i>II. Financial Section</i></b>	
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	22
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual	
General Fund .....	26
Community Development Fund .....	27
Statement of Fund Net Assets - Proprietary Funds .....	28
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds .....	29
Statement of Cash Flows - Proprietary Funds .....	30
Statement of Fiduciary Assets and Liabilities - Agency Funds .....	32

**City of Lorain, Ohio**  
*Comprehensive Annual Financial Report*  
*For the Year Ended December 31, 2007*  
*Table of Contents*

Notes to the Basic Financial Statements .....	33
Combining Statements and Individual Fund Schedules:	
Combining Statements - Nonmajor Governmental Funds:	
Fund Descriptions .....	78
Combining Balance Sheet - Nonmajor Governmental Funds .....	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	81
Combining Balance Sheet - Nonmajor Special Revenue Funds .....	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds .....	85
Combining Balance Sheet - Nonmajor Capital Projects Funds .....	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds .....	89
Combining Statements – Internal Service Funds:	
Fund Descriptions .....	90
Combining Statement of Fund Net Assets – Internal Service Funds .....	91
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds .....	92
Combining Statement of Cash Flows – Internal Service Funds .....	93
Combining Statements - Agency Funds:	
Fund Descriptions .....	95
Combining Statement of Changes in Assets and Liabilities - Agency Funds .....	96
Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balance/Fund Equity – Budget (Non-GAAP Basis) and Actual:	
Major Funds:	
General Fund .....	99
Community Development Fund .....	104
General Obligation Bond Retirement Fund .....	105
Capital Improvements Fund .....	106
Water Works Fund .....	107
Water Pollution Control Fund .....	108
Non Major Funds:	
Streets Fund .....	109
Permissive License Fund .....	110
Health Services Fund .....	111
Litter Control Fund .....	112

**City of Lorain, Ohio**  
*Comprehensive Annual Financial Report*  
*For the Year Ended December 31, 2007*  
*Table of Contents*

Police Levy Fund .....	113
Mandatory Drug Fund .....	114
Police Pension Fund.....	115
Fire Pension Fund .....	116
Indigent Drivers Fund.....	117
Park Land Fund .....	118
Cemetery Fund.....	119
Law Enforcement Fund .....	120
Municipal Court Computer Fund .....	121
Legal Research Fund .....	122
Municipal Court Security Fund .....	123
Municipal Court Probation Fund .....	124
Special Assessment Bond Retirement Fund .....	125
General Sewer Fund.....	126
Lighthouse Urban Renewal Fund .....	127
Riverfront Urban Renewal Fund .....	128
Municipal Court Improvements Fund .....	129
Garage Fund.....	130
Hospitalization Fund.....	131

**III. Statistical Section**

Net Assets by Components - Last Five Years .....	S2
Changes in Net Assets - Last Five Years .....	S3
Fund Balances, Governmental Funds - Last Ten Years .....	S6
Changes in Fund Balances, Governmental Funds - Last Ten Years .....	S8
Assessed Valuation and Estimated True Values of Taxable Property - Last Ten Years.....	S10
Property Tax Rates - Direct and Overlapping Governments - Last Six Years .....	S12
Property Tax Levies and Collections Real and Public Utility Taxes - Last Ten Years .....	S14
Principal Real Property Taxpayers – 2007 and 1998... ..	S16
Principal Personal Property Taxpayers – 2007 and 1998.....	S17
Income Tax Revenue Base and Collections – Last Ten Years .....	S18
Ratio of Outstanding Debt to Total Personal Income and Debt Per Capita – Last Eight Years .....	S20
Ratio of General Obligation Bonded Debt to Estimated True Value and Bonded Debt Per Capita – Last Ten Years .....	S22
Computation of Direct and Overlapping Governmental Activities Debt.....	S23
Legal Debt Margin – Last Ten Years .....	S24
Pledged Revenue Coverage, Water Works – Last Ten Years .....	S26
Pledged Revenue Coverage, Water Pollution Control System – Last Ten Years .....	S28
Principal Employers – 2007 and 1998 .....	S30
Demographic and Economic Statistics - Last Eight Years.....	S32
Full-Time Equivalent City Government Employees by Function/Program - Last Nine Years .....	S34
Operating Indicators by Function/Program - Last Ten Years .....	S36
Capital Asset Statistics by Function/Program - Last Ten Years .....	S40





# The City of Lorain, Ohio

## Ronald L. Mantini, Auditor

200 West Erie Avenue, 6th Floor  
Lorain, Ohio 44052-1647

Phone: (440) 204-2090  
Fax: (440) 204-2097

June 27, 2008

Citizens of Lorain  
Lorain, Ohio

I am pleased to submit the comprehensive annual financial report of the City of Lorain for the year ended December 31, 2007.

This report enables the City to comply with Ohio Administrative Code Section 117-2-03 (B), which requires reporting on a GAAP (Generally Accepted Accounting Principles) basis, and Ohio Revised Code Section 117.38 which requires the cities reporting on a GAAP basis to file unaudited general purpose external financial statements with the Auditor of State within 150 days of fiscal year end.

Management assumes full responsibility for both the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Ciuni and Panichi, Inc., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Lorain financial statements for the year ended December 31, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal, and should be read in conjunction with it.

### **Profile of the Government**

The City of Lorain, incorporated in 1874, is located in Lorain County in northeastern Ohio on the shore of Lake Erie, approximately 30 miles west of Cleveland and 90 miles east of Toledo. It currently occupies 24.25 square miles and serves a population of 70,592 based on the most recent data from the United States Census Bureau.

Lorain possesses an international port that has access to world markets via the St. Lawrence Seaway. Major port facilities include docks and other facilities for the receipt of iron ore, gypsum ore, concrete, aggregates and oil. The Lorain Port Authority, a separate political subdivision, operates the port.

The City is in the Cleveland Primary Metropolitan Statistical Area, comprised of the six counties of Ashtabula, Cuyahoga, Geauga, Lake, Lorain and Medina. The City is also in the Cleveland-Akron-Lorain Consolidated Metropolitan Statistical Area which is the 11<sup>th</sup> most populous of twenty in the country.

The City operates as a statutory City under the laws and regulations as set forth under the Ohio

Constitution, which is in contrast to the specialized charter forms of government. The citizens have voted down charters in the past. The form of government prescribed in Lorain is Mayor-Council.

Legislative authority is vested in an 11-member City Council and a Council President. Council has three members who are elected at-large and eight who are elected from wards, all for two-year terms. The Council fixes compensation of City officials and employees, and enacts ordinances and resolutions including, but not limited to, City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal purposes. The presiding officer is the President of Council, who is elected by City voters for a two-year term.

The City's chief administrative officer is the Mayor, who is elected to a four-year term. The Mayor is responsible for basic City services, such as police, fire, streets, parks and community development. The Mayor appoints a Director of Public Safety/Service, department heads, boards and commissions. The Mayor's role is to promote business and commerce and to be the catalyst for new projects and developments.

The City's chief financial and fiscal officer is the Auditor, who is elected to a four-year term. The Auditor is responsible for keeping financial records and preparing financial reports of the City. In addition, the Auditor monitors the budget, directs payroll and accounts payable, and oversees all information systems activity.

The City's Treasurer is elected to a four-year term. The Treasurer is responsible for income tax and other revenue collections of the City. The Treasurer is the custodian of all monetary assets and is responsible for deposits and investments.

The City's chief legal counsel is the Law Director, who is elected to a four-year term. The Law Director represents the City in all its cases. The Law Director advises City officials and Council on all legal matters and must approve all ordinances, resolutions and contracts as to form. The Law Director also appoints the Chief Prosecutor, who is responsible for prosecution of all municipal, civil, and criminal cases.

Lorain has two Municipal Judges and a Clerk of Courts, each of whom are elected to six-year terms.

The City provides basic services to its residents including police and fire protection, planning, zoning, maintenance of highways, streets, and other infrastructure; and recreational and cultural activities. Certain sanitation services are provided through the City's Water and Sewer Divisions, which functions, in essence, as a department of the City of Lorain and therefore has been included as an integral part of the City's financial statements.

The Council is required to adopt an annual budget by no later than March 31 of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, department (e.g., police) and object level (e.g., material and supplies). Sub-object level accounts (e.g., office supplies) are also budgeted for management internal control purposes. Department heads may transfer resources within an object level as they see fit. Transfers between object levels, departments and funds, however, need special approval from the governing council.

In 2007 the City maintained the policy of tight controls on spending, negotiating reasonable labor contracts with the City's local unions, and continued to research avenues of revenue enhancement in an effort to reduce the general fund deficit.

## Local Economy

The economy of the City continues to have a diverse base with a mix of service oriented and manufacturing businesses. The following industries are vital to the City's financial condition and contribute to the stable economic condition of the City: Community Health Partners, the City's largest employer, is a full service hospital affiliated with Cincinnati, Ohio based Catholic Health Care Partners, one of the largest not-for-profit healthcare systems in the United States and the largest in Ohio; Industrias CH, S.A. (Republic Engineered Products) is North America's leading supplier of high quality bar steel; Lorain Tubular, a division of United States Steel Corporation, is a leading manufacturer of seamless steel pipe; Emerson Network Power, a major global telecommunications service provider; Lorain City School District; Lorain National Bank; Lake Point Health Center; The Nord Center, a health care facility; CAMACO Inc., an automotive seating systems supplier.

The City continues to pursue several areas for urban renewal enhancement and redevelopment which include the following:

- **HarborWalk**, A \$100 million, 62-acre development project which includes a planned 420-unit residential housing development, nautical boutiques, restaurants, a health club, a boardwalk and pier, a commercial fishing village and a 34,000 square foot commercial center. The HarborWalk Project involves an area which includes the former shipyard section of the City's downtown riverfront. A 19-acre Riverside Marina remains on the site. New construction is anticipated to continue through 2008.
- **Riverbend Commerce Park** (formerly named Colorado Industrial Park): The industrial park comprises an area of approximately 440 acres along the Black River, with approximately 178 acres of land suitable for development, 35 of the developable acres are located in Sheffield Village. The completion of the 30,000 square foot "spec" building is expected in the fall of 2008.
- **Lighthouse Village**: The Lighthouse Village Urban Renewal Plan area is a development site of approximately 65 acres controlled by Lighthouse Village, LLC. Their proposed development of the approximately 500,000 square foot retail facility has progressed with the opening of Kohl's Department Store in October 2006, Home Depot in February 2007, and Applebee's Restaurant in late 2007. Additional negotiations are underway with other retailers to locate on this site.
- **Lorain West Urban Renewal Plan**: The Lorain West Urban Renewal Plan area includes the Amherst Development Co. LLC (aka Heritage Development) with their 200 plus housing subdivision and retail center of approximately 250,000 square feet, of which half would be in the City of Lorain. Construction will begin in early 2008 on the infrastructure for 40 cluster homes and later in 2008 will commence on the infrastructure for 40 more lots for single family homes. A 145,000 square foot Target opened in October 2007. The Target store is located in the City of Amherst portion of this development. Ground was broken in January 2008 for an 117,000 square foot Lowe's store with a planned opening of October 2008. A 14,000 square foot retail building will also be built in the City of Lorain. This building will house a sandwich shop, hair salon, bedding store and a beauty supply store and will open in late August 2008. Plans call for an additional two out lots to be built in the Lorain section.

The Plan Area also includes the vacated Ford Assembly Plant. In December 2006 the property was sold to Industrial Realty Group (IRG). IRG is a California developer that specializes in transforming old industrial sites. The Urban Renewal Plan will allow the City to work aggressively with the IRG. The plan provides for new zoning classifications that can be readily adopted, and puts in place a TIF district to allow the City to work with the developer to make the necessary public improvements to allow the 225 plus acres to be subdivided and marketed more quickly. IRG is currently working with various companies to relocate to the site.

- **Lorain Lakefront Development:** The City of Lorain and the Lorain Port Authority have signed a cooperative agreement to market the development of this site along with additional property along the Black River that is owned by the Port Authority. A contract to market the property on an international level was awarded to Staubach, Inc. in May 2007. Staubach presented its findings to the city at a Joint Waterfront Development Committee in January 2008. Key issues presented include cleaning up environmental concerns, urban blight, dated marina facilities and the lack of an attraction. The City's administration plans to address these issues by forming subcommittees to identify solutions and determine when the problems could be fixed. Once this is completed, the city will market the site to potential developers. In addition, The Great Lakes Historical Society – Inland Seas Maritime Museum has signed an agreement to move from its current location in Vermilion, Ohio to the Lorain Pellet Terminal site. They are currently raising the funds necessary to construct the museum.

The City continues to make significant progress in its efforts to strengthen its economic base and community development.

New and existing residential projects continue and expand in various stages including but not limited to: Martin's Run, Deerfield Village, Mallard Creek housing development on the west side of Oak Point Road in the City, "La Cote de Lac", a \$10 million lakefront condominium project, and the purchase of four acres of land on Lake Erie by Avalon Beach, LLC with plans to build a high rise lakefront condominium complex.

### **Long Term Financial Planning**

The Administration is committed to working with the business community and residents to assure that the City of Lorain provides a high quality of life and services. To this end, the administration has proposed the City of Lorain "Investment Plan Year 2008". This plan proposes revenue enhancements in order to eliminate the City's deficit along with meeting the basic needs of the City over the next five years.

Revenue enhancements include increasing the license plate fees by fifteen dollars which will generate an additional \$750,000 per year for road infrastructure repairs and maintenance and reducing the income tax credit by 1% for citizens working in other communities which are estimated to generate an additional \$3 million. This additional revenue will be used to eliminate the deficit and restore certain City services.

### **Major Initiatives**

**Lorain Health Department** Strategic Planning Initiative: The Lorain District Municipal Board of Health has authorized an agreement with the Public Service Institute (PSI) of Lorain County Community College to assist the health department in conducting a strategic planning process. The overall objective is to obtain internal and external perspectives on public health priorities from key stakeholders which will be used to develop a comprehensive strategic plan for the Lorain City Health Department. The project consists of four primary phases of work. Phase I involves one-on-one interviews with board of health members and key department staff. Phase II includes facilitated sessions to engage key community stakeholders in the process. A Planning Council with diverse stakeholder representation will be convened during Phase III to sort through information gleaned from Phases I & II and to establish strategic directions for the health department. Phase IV consists of an internal refinement process to identify the department's mission, vision, strategic priorities and to build upon strategic initiatives identified during Phase III. Upon completion of the strategic planning process, the final plan will be disseminated back to the community stakeholders. During 2007, Phases I & II were completed with the final phases of the project to be completed in the spring of 2008.

**Lorain Police Department** The Lorain Police began to plan and organize for the re-opening of the City Jail as a 12 day holding facility. Completion of the facility is projected for the second quarter of 2008.

**Lorain Utilities Department** The Utilities department commitment to upgrade the City's aging infrastructure persists with the completion of the North Ridge Road/Cooper Foster Park Road sewer line replacement and the continuation of two major sanitary sewer improvement projects in 2007. The West Side Sanitary Relief Sewer Improvement project consists of the installation of new sanitary mainline with manholes, appurtenances and chambers and the East-Central Relief Sewer Improvements consists of the installation of new sanitary mainline with manholes and the rehabilitation of existing sanitary mainline. Both of these projects are anticipated to continue through 2008. In addition the construction of a new waterline on Brownell Avenue in the City began in 2007 with an expected 2008 completion date.

### **Awards and Acknowledgements**

**Awards** The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2006.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The CAFR is judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to communicate clearly its financial story and to motivate potential users and user groups to read the CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

A Certificate of Achievement is valid for a period of one year only. The City has now received the Certificate of Achievement for thirteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for review.

**Acknowledgments** I would like to acknowledge the dedicated effort of the Auditor's staff in the preparation of this Comprehensive Annual Financial Report. Many long hours were spent in the preparation and proofreading of the CAFR. Special thanks are extended to **Anita J. Harper**, Chief Deputy Auditor and **Patricia L. Dunnigan**, Deputy Auditor. Without their effort, the printing of this document would not be possible.

Thanks also must be given to the department heads for their input. In addition, I would like to express my appreciation to the Auditor of State, Local Government Services Section for their consultation and assistance on this project.

Sincerely,



Ronald L. Mantini  
Lorain City Auditor

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lorain  
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.



*Oliver S. Cox*

President

*Jeffrey R. Emery*

Executive Director

**CITY OF LORAIN, OHIO**

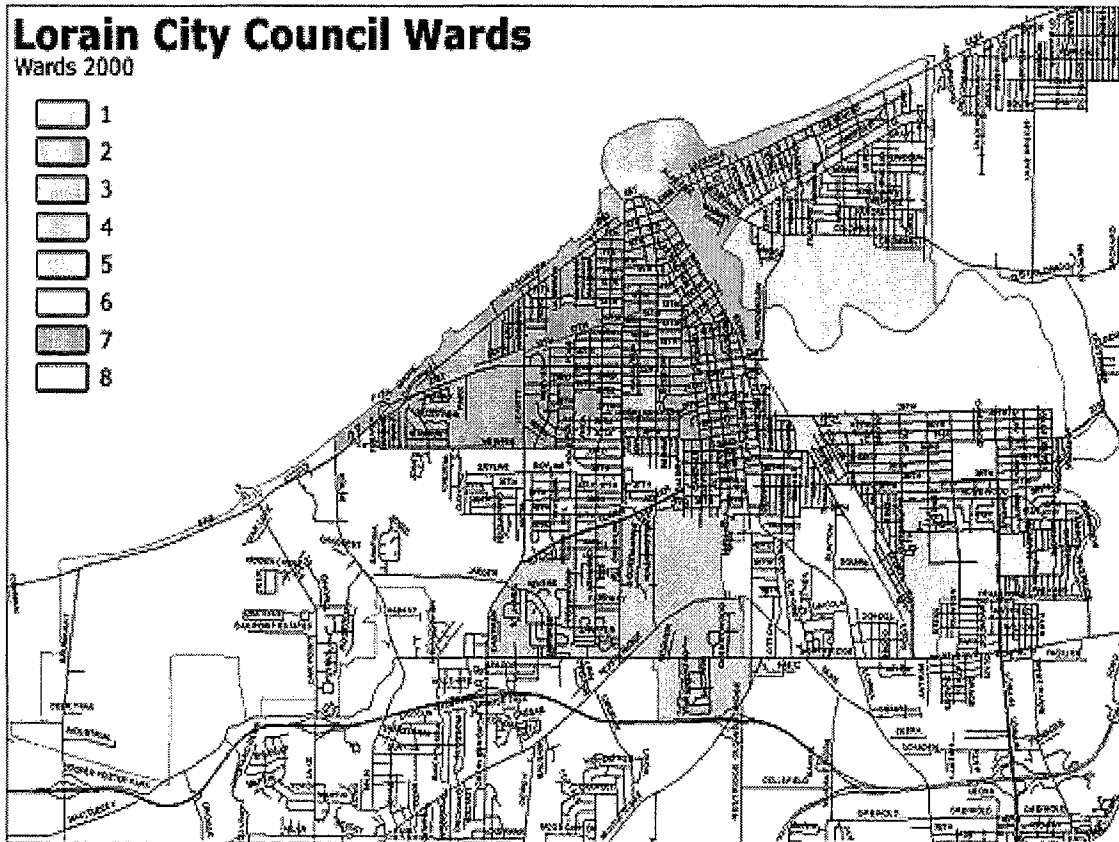
**ELECTED OFFICIALS**

<b><u>TITLE</u></b>	<b><u>NAME</u></b>	<b><u>YEARS OF SERVICE IN OFFICE</u></b>	<b><u>YEARS OF SERVICE WITH THE CITY</u></b>
Mayor	Craig Foltin	8	14
City Auditor	Ronald L. Mantini	8	8
City Treasurer	Thomas Urbanek	2	22
Director of Law	Mark Provenza	8	19
Clerk of Courts	Lori Maiorana	2	27
Judge	Mark Mihok	6	19
Judge	Thomas Elwell	4	4
<i>Members of Council:</i>			
Council President	Kenneth Shawver	6	18
Council at Large	Tony Krasienko	2	12
Council at Large	Daniel Given	2	14
Council at Large	Kathy Tavenner	8	14
1 <sup>ST</sup> Ward	David Wargo	8	11
2 <sup>nd</sup> Ward	Phil Betleski	4	4
3 <sup>rd</sup> Ward	David Escobar	2	2
4 <sup>th</sup> Ward	Bret Schuster	2	2
5 <sup>th</sup> Ward	Eddie Edwards	10	10
6 <sup>th</sup> Ward	Greg Holcomb	2	2
7 <sup>th</sup> Ward	Myroslaw Silecky	2	2
8 <sup>th</sup> Ward	Craig Snodgrass	2	2

**APPOINTED OFFICIALS**

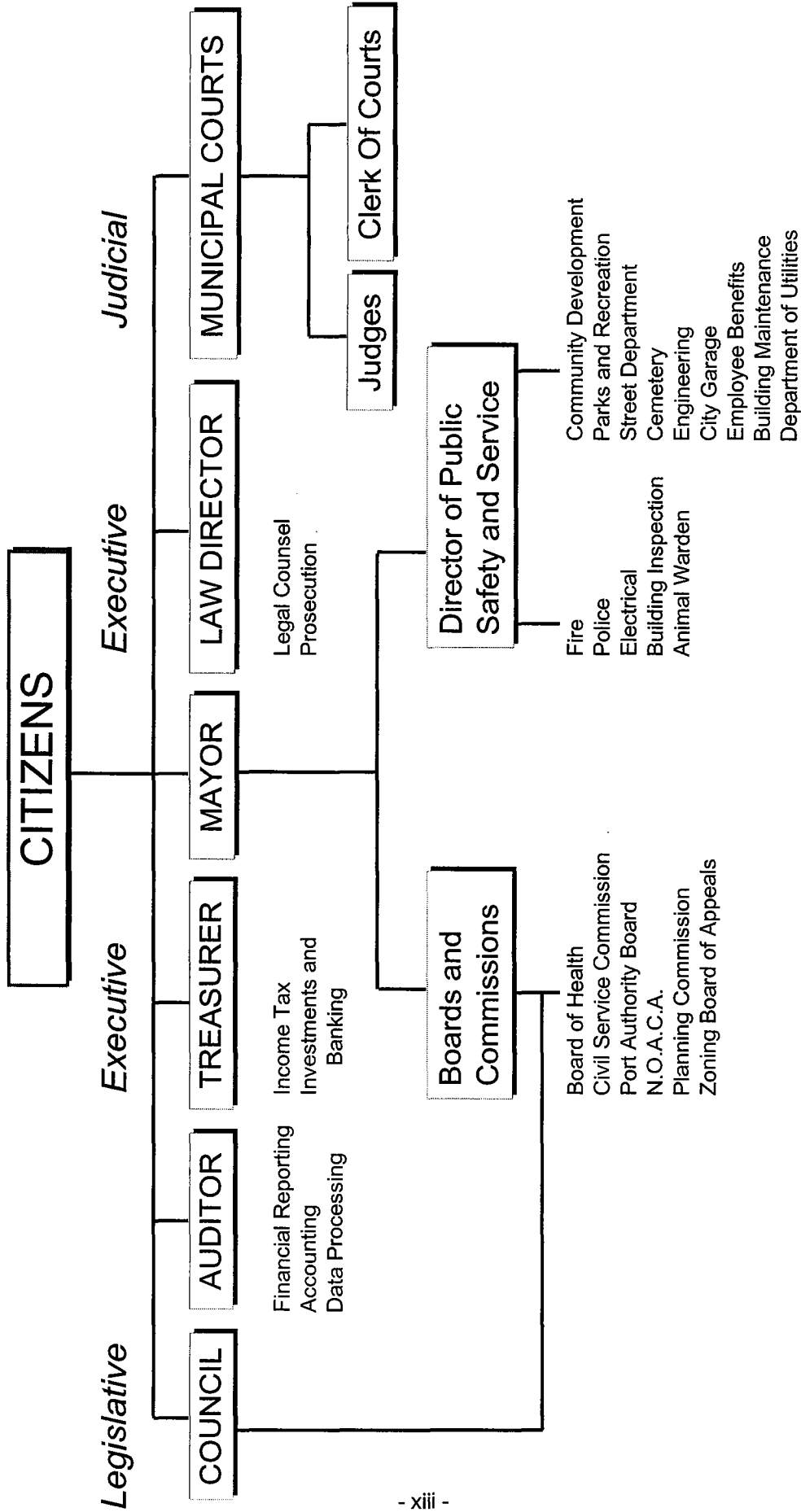
<b><u>TITLE</u></b>	<b><u>NAME</u></b>	<b><u>YEARS OF SERVICE IN OFFICE</u></b>	<b><u>YEARS OF SERVICE WITH THE CITY</u></b>
Director of Public Safety/Service	Michael Kobyłka	1	1
Police Chief	Celestino Rivera	13	37
Fire Chief	Thomas Brown	2	20
Director of Utilities	Corey Timko	4	7
Director of Community Development	Sanford Prudoff	35	35
Director of Park & Recreation	Bob Renney	5	23
Street Commissioner	Chuck Camera	17	36
Building Inspector	William Desvari	5	5
Administrative Director (Engineering)	Patrick McGannon	9	37
Chief Deputy Auditor	Anita Harper	8	8
MIS Director	David Comer	14	14
Clerk of Council	Nancy Greer	13	16

# City of Lorain Voting Wards





# City of Lorain - Organizational Chart





## Independent Auditors' Report

Members of the City Council  
Lorain, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lorain's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Community Development Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2007, the City of Lorain implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension Plans*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008 on our consideration of the City of Lorain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

Members of the City Council  
Lorain, Ohio

The management's discussion and analysis on pages 3 through 16 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 City of Lorain's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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 and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
June 27, 2008

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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The discussion and analysis of the City of Lorain's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. It is the intent of this discussion and analysis to look at the City's financial performance as a whole. Readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2007 are:

- The City's deficit cash balance in the general fund as of December 31, 2007 was \$323,176. This is a decrease of \$234,910 over 2006 due to an increase in local government assistance funds received from the State.
- Total assets increased by \$8,997,592 from 2006 to 2007, or 3.14 percent.
- Total liabilities increased by \$16,582,936 from 2006 to 2007, or 16.42 percent.
- Total net assets decreased \$7,585,344 from 2006 to 2007, or 4.10 percent.

### **Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Lorain as a financial whole or an entire operating entity. The statements here provide a more in depth look at specific financial conditions.

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

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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## **Reporting the City of Lorain Financial Statements**

### **Statement of Net Assets and Statement of Activities**

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions to determine how the City did financially during 2007. The *Statement of Net Assets* and the *Statement of Activities* provides this information. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

The *Statement of Net Assets* and the *Statement of Activities* are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Revenue and Expenses
- General Revenues
- Net Assets Beginning of Year and Year's End

## **Reporting the City of Lorain's Most Significant Funds**

### ***Fund Financial Statements***

The presentation of the City's major funds begins on page 22. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. The City of Lorain's major funds are: the General Fund, Community Development, General Obligation Bond Retirement, Capital Improvements, Water and Water Pollution Control Fund.

### ***Governmental Funds***

Most of the City's activities are reported in the governmental funds that focus on how money flows into and out of those funds and the balances at year-end available for spending in future periods. Governmental funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Government fund information helps you determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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***Proprietary Funds***

Proprietary funds (Water and Water Pollution Control (Sewer) Funds) have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole. The Proprietary Fund financial statements can be found beginning on page 28 of this report.

***Internal Service Funds***

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City of Lorain maintains two Internal Service Funds: the Garage Fund which accounts for charges to various departments for maintenance on vehicles and equipment and the Hospitalization Fund which accounts for the hospital/medical, prescription drug, vision, and dental benefits for the self-insurance program for the employees of the City. The Internal Service Fund financial statements can be found beginning on page 28 of this report.

***Fiduciary Funds***

The City's only fiduciary funds are agency funds. Agency funds are purely custodial funds used to account for resources held for the benefit of parties outside the City government and do not involve the measurement of results of operation. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The Fiduciary Fund financial statement can be found on page 32 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the City-wide and fund financial statements. The notes to the financial statements can be found on pages 33-75 of this report.

***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 77-131 of this report.

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

**The City of Lorain as a Whole**

The *Statement of Net Assets* looks at the assets of the City as a whole. Table 1 provides a summary of the City's net assets for 2007 as compared to 2006.

**TABLE 1**  
**NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and Other Assets	\$49,016,460	\$45,023,053	\$11,835,076	\$11,770,551	\$60,851,536	\$56,793,604
Capital Assets,						
Non-Depreciable	16,675,401	26,190,547	21,295,031	6,090,585	37,970,432	32,281,132
Capital Assets,						
Depreciable, Net	122,300,685	125,888,981	74,097,128	71,258,472	196,397,813	197,147,453
<i>Total Assets</i>	<u>187,992,546</u>	<u>197,102,581</u>	<u>107,227,235</u>	<u>89,119,608</u>	<u>295,219,781</u>	<u>286,222,189</u>
<b>Liabilities</b>						
Current and Other Liabilities	13,742,748	13,953,631	1,745,917	1,937,842	15,488,665	15,891,473
Long-Term Liabilities:						
Due Within One Year	4,162,938	3,650,905	3,492,620	2,905,106	7,655,558	6,556,011
Due in More Than One Year	43,444,431	41,409,251	50,991,599	37,140,582	94,436,030	78,549,833
<i>Total Liabilities</i>	<u>61,350,117</u>	<u>59,013,787</u>	<u>56,230,136</u>	<u>41,983,530</u>	<u>117,580,253</u>	<u>100,997,317</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	97,026,059	112,337,952	42,339,183	38,814,751	139,365,242	151,152,703
Restricted:						
Capital Projects	1,235,939	1,377,196	0	0	1,235,939	1,377,196
Debt Service	833,898	778,135	2,662,538	2,621,486	3,496,436	3,399,621
Replacement and Improvement	0	0	300,000	300,000	300,000	300,000
Utility Reserve	0	0	1,305,744	334,744	1,305,744	334,744
Capital Leases	991,591	0	0	0	991,591	0
Other Purposes	28,330,265	25,977,868	0	0	28,330,265	25,977,868
Unrestricted (Deficit)	(1,775,323)	(2,382,357)	4,389,634	5,065,097	2,614,311	2,682,740
<i>Total Net Assets</i>	<u>\$126,642,429</u>	<u>\$138,088,794</u>	<u>\$50,997,099</u>	<u>\$47,136,078</u>	<u>\$177,639,528</u>	<u>\$185,224,872</u>

Net assets may serve over time as a useful indicator of a City's financial position. For the City of Lorain, total assets exceeded liabilities by \$177,639,528 with \$126,642,429 in governmental activities and \$50,997,099 in business-type activities as of December 31, 2007. The largest portion of the City's net assets (78.5 percent) reflects its investment in capital assets [i.e. land, building structures and improvements, machinery and equipment, furniture and fixtures, infrastructure (including water and sewer lines) and construction in progress], less any outstanding debt used to acquire those assets. The City of Lorain uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City'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.

An additional portion of the City's net assets (20.1 percent) represents resources that are subject to restriction on how they can be used.



**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

The *Statement of Activities* shows the changes in net assets for the year ended December 31, 2007. Table 2 provides the detailed data. The change in net assets from 2006 to 2007 shows a decrease of \$7,585,344 with (\$11,446,365) in governmental net assets and \$3,861,021 in business-type activities.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$4,642,771	\$5,036,443	\$18,821,034	\$18,356,809	\$23,463,805	\$23,393,252
Operating Grants and Contributions	9,212,276	6,237,067	0	0	9,212,276	6,237,067
Capital Grants and Contributions	912,005	1,741,684	0	225,000	912,005	1,966,684
<i>Total Program Revenues</i>	<u>14,767,052</u>	<u>13,015,194</u>	<u>18,821,034</u>	<u>18,581,809</u>	<u>33,588,086</u>	<u>31,597,003</u>
General Revenues:						
Municipal Income Taxes	18,605,328	19,177,620	0	0	18,605,328	19,177,620
Property Taxes	5,294,625	4,251,792	0	0	5,294,625	4,251,792
Investment Income	811,699	690,650	110,225	104,026	921,924	794,676
Intergovernmental Revenue not Restricted to Specific Programs	6,083,171	5,719,663	0	0	6,083,171	5,719,663
Miscellaneous	435,314	793,154	60,374	56,615	495,688	849,769
<i>Total General Revenues</i>	<u>31,230,137</u>	<u>30,632,879</u>	<u>170,599</u>	<u>160,641</u>	<u>31,400,736</u>	<u>30,793,520</u>
<b>Total Revenues</b>	<u>45,997,189</u>	<u>43,648,073</u>	<u>18,991,633</u>	<u>18,742,450</u>	<u>64,988,822</u>	<u>62,390,523</u>
<b>Program Expense:</b>						
General Government	12,812,199	12,267,533	0	0	12,812,199	12,267,533
Security of Persons and Property	19,390,489	18,573,582	0	0	19,390,489	18,573,582
Transportation	14,435,681	14,679,897	0	0	14,435,681	14,679,897
Public Health	1,995,300	2,018,981	0	0	1,995,300	2,018,981
Community Environment	1,104,662	696,834	0	0	1,104,662	696,834
Economic Development	2,926,740	7,417,102	0	0	2,926,740	7,417,102
Leisure Time Activities	501,112	1,188,751	0	0	501,112	1,188,751
Interest and Fiscal Charges	1,950,140	2,028,001	0	0	1,950,140	2,028,001
Water Works	0	0	7,614,864	7,537,738	7,614,864	7,537,738
Water Pollution Control	0	0	9,149,590	9,667,949	9,149,590	9,667,949
<b>Total Expenses</b>	<u>55,116,323</u>	<u>58,870,681</u>	<u>16,764,454</u>	<u>17,205,687</u>	<u>71,880,777</u>	<u>76,076,368</u>
<b>Increase (Decrease) in Net Assets Before Extraordinary Items and Transfers</b>	(9,119,134)	(15,222,608)	2,227,179	1,536,763	(6,891,955)	(13,685,845)
Extraordinary Items	0	0	(693,389)	0	(693,389)	0
Transfers	(2,327,231)	0	2,327,231	0	0	0
<b>Increase (Decrease) in Net Assets</b>	(11,446,365)	(15,222,608)	3,861,021	1,536,763	(7,585,344)	(13,685,845)
<b>Net Assets, January 1</b>	<u>138,088,794</u>	<u>153,311,402</u>	<u>47,136,078</u>	<u>45,599,315</u>	<u>185,224,872</u>	<u>198,910,717</u>
<b>Net Assets, December 31</b>	<u>\$126,642,429</u>	<u>\$138,088,794</u>	<u>\$50,997,099</u>	<u>\$47,136,078</u>	<u>\$177,639,528</u>	<u>\$185,224,872</u>

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

---

The largest contributing factor in the decrease in net assets for governmental activities is the depreciation expense for infrastructure. In addition, a transfer of capital assets (\$2,327,231) to the water and water pollution control departments account for the remainder of the decrease in the governmental activities net assets and corresponds to the majority of the increase in the business-type activities net assets.

**GOVERNMENTAL ACTIVITIES**

There are several revenue sources that fund the City's governmental activities. Total revenues for 2007 were \$45,997,189. Income tax revenues account for one of the largest sources of revenue - \$18,605,328 or 40.4 percent. The income tax rate for the General Fund of the City is 1.75 percent and was last amended in 2005. In 1992 an additional .25 percent was approved by the citizens of Lorain for the Police (money collected is in a separate Police Levy Fund).

Other major sources of revenue in governmental activities are: Operating Grants and Contributions of \$9,212,276 or 20.0 percent (this includes \$5,295,601 in Community Development block grants and HUD money, and \$2,604,665 in licenses plate and gas taxes), Unrestricted Grants and Entitlements of \$6,083,171 or 13.2 percent, Charges for Services of \$4,642,771 or 10.1 percent, Property Taxes of \$5,294,625 or 11.5 percent and Capital Grants and Contributions of \$912,005 or 2.0 percent. The remaining 2.8 percent is made up of interest and miscellaneous revenues.

The City has a strong economic development program, through our Community Development Department, which is aggressively pursuing new businesses to support the City's governmental activities. The City of Lorain, through the Administration and City Council, continues to pursue strategies that will expand the local tax base, expand employment opportunities, improve economic conditions and diversify the local industrial base.

Total governmental program expenses for 2007 were \$55,116,323. Security of persons and property accounted for program expenses of \$19,390,489 which is 35.2 percent of the total governmental activity expenses for the City. Transportation expenses were \$14,435,681 which is 26.2 percent and general government expenses were \$12,812,199 which is 23.2 percent.

The Police Department has a special income tax levy of .25 percent which is used for additional police officers and equipment. This money is utilized to purchase new vehicles, equipment that will better serve our community and provide extra police officers. There were thirteen new police cruisers and support vehicles purchased in 2007.

The Fire Department is funded with General Fund revenues. The Department continues to upgrade emergency fire and rescue equipment, as needed, to better serve the community. In 2007, the City continued to upgrade the computer dispatch system and began improvements to fire station number seven on the City's west side.

Transportation expenses were for the depreciation, maintenance and repairs to the City's roads and infrastructure. The City paid for these projects from general revenues, license plate fees, and state gas taxes.

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

Table 3 presents a summary for governmental activities, the total cost of services and the net cost of providing these services.

**Table 3**  
**Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Government	\$12,812,199	\$12,267,533	\$11,062,710	\$10,396,972
Security of Persons and Property	19,390,489	18,573,582	18,414,084	17,694,335
Transportation	14,435,681	14,679,897	11,036,638	10,402,651
Public Health	1,995,300	2,018,981	(65,007)	73,749
Community Environment	1,104,662	696,834	51,097	(453,338)
Economic Development	2,926,740	7,417,102	(2,520,702)	4,562,126
Leisure Time Activities	501,112	1,188,751	420,311	1,150,991
Interest and Fiscal Charges	1,950,140	2,028,001	1,950,140	2,028,001
<i>Total</i>	<u>\$55,116,323</u>	<u>\$58,870,681</u>	<u>\$40,349,271</u>	<u>\$45,855,487</u>

**Business-Type Activities**

Utility services for water and sewer saw an increase in charges for services in 2007 (12 percent for water and 7 percent for sewer). The City closely monitors the utility rate structure to insure it meets both the revenue bond indenture requirements and its operating needs including debt.

The Utilities Department completed two major projects in 2007 – the North Ridge Road sewer line replacement project and improvements to the Philip Q. Maiorana wastewater treatment facility.

**Financial Analysis of the City's Funds**

Information about the City's governmental funds begins on page 22. These funds are accounted for by using the modified accrual basis of accounting to ensure compliance with finance related legal requirements.

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

For the year ended December 31, 2007 the City's governmental funds had combined total revenues of \$42,840,792 and expenditures of \$46,562,436. The City's governmental funds had a combined ending fund balances of \$25,019,300. Of this total amount, \$4,068,226 or 16.3 percent is available for spending at the City's discretion.

The General Fund is the main operating fund of the City. At the end of the current year, the General Fund's unreserved balance was \$88,414, while the total fund balance was \$1,300,669.

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

---

The Community Development Fund accounts for State and Federal grants restricted for the acquisition of real property, administrative costs, public facilities and the rehabilitation of real property. For the year ended December 31, 2007, the City's Community Development Fund had total revenues of \$2,593,319 plus other financing sources of \$1,293,635 and expenditures of \$3,737,284. The City's Community Development Fund had an ending fund balance of \$20,581,991, an increase of \$149,670 over 2006 which can be attributed primarily to the unspent proceeds of the Heritage Urban Renewal bond.

The General Obligation Bond Retirement Fund accounts for the accumulation of resources to pay principal and interest on general obligation debt. For the year ended December 31, 2007, the City's General Obligation Bond Retirement Fund had total revenues of \$1,481,922 plus other financing sources and uses of \$900,054 and expenditures of \$2,350,615. The City's General Obligation Bond Retirement Fund had an ending fund balance of \$219,762.

The Capital Improvements Fund accounts for state grants, transfers in and various other financing sources used for the construction of various improvements of the City. For the year ended December 31, 2007, the City's Capital Improvements Fund had total revenues of \$764,542 plus other financing sources and uses of \$2,238,620 and expenditures of \$2,380,471. The City's Capital Improvements Fund had an ending fund balance of (\$2,589,924). The deficit balance is due to the issuance of notes. The deficit balance was decreased in 2007 by \$622,691 as a result of the partial conversion of short term bond anticipation notes to long term bonds and the transfer of money for the City's local share for construction projects from various funds.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law, adopted by an ordinance of City Council and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The General Fund is organized upon the basis of eighteen (18) departments each with its own set of line-item budgeted accounts. The recording of General Fund revenues and expenditures, along with original budget amounts, necessitates updates toward a final budget. Recommendations and requests for budget changes are referred to a City Council meeting for ordinance enactment on the change. The City does allow small interdepartmental budget changes that modify line items within account categories within departments within the same fund.

At the direction of Council, all capital projects and requests for capital type purchases must be reviewed and approved individually by Council. The General Fund supports many major activities such as the Police Department, Fire Department, Lorain Municipal Court and Building Department as well as the legislative and most executive activities. Some major capital projects are funded with general fund dollars. By ordinance, these funds are transferred from the general fund to capital project funds where the revenue and expenditures for the capital improvement are tracked and monitored.

In 2007 amendments were made to the original revenue budget to account for an expected increase in interest revenue (\$249,345) as a result of the City Treasurer's investment policies and to appropriate additional monies received for estate taxes (\$40,000), parks department admission fees and advertising revenue (\$40,041) at the new Campana Park baseball field, and insurance reimbursements for damage claims in the amount of \$28,016. Amendments were also made for the receipt of capital lease (\$525,000) and loan funds (\$50,000) received, and for an advance of monies from the utility funds to cover the cost of assisting a business in relocating to the City in the amount of \$116,000, and \$450,000 to temporarily sustain the general fund in the event of a negative cash flow at year end.

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

Corresponding amendments based on the above revenue enhancements were made to the original appropriation budget in various departments and included the cost of the equipment and installation related to the capital lease, repairs to one of the City's fire stations and fire equipment from the loan proceeds, the hiring of an additional engineer, maintenance of the new baseball field, and increasing the budget for all departments for hospitalization costs.

General Fund expenditures are shown in Table 4.

**Table 4**

<u>Service Component</u>	<u>Amount Expended</u>	<u>Percent Expended</u>
General Government	\$9,239,080	32.38 %
Security of Persons and Property	16,796,851	58.87
Public Health	323,709	1.13
Community Environment	652,990	2.29
Leisure Time Activities	1,125,687	3.95
Debt Service	394,732	1.38
<i>Totals</i>	<u>\$28,533,049</u>	<u>100.00 %</u>

There was a difference in revenue of \$199,654 between the final amended budget and the actual collected revenue. Although revenue for licenses and permits came in under the budgeted estimate by \$325,214 due to declining construction activity and fines and forfeitures came in under budget by \$190,610 due largely to reduced collections of court fines, property taxes, income taxes collected, and intergovernmental revenue exceeded the final budgeted estimate by \$174,921, 317,456, and 203,405 respectively offsetting the reduced revenue in other areas. The balance of the City's revenue sources exceeded the final amended budget by a total of \$19,696.

The negative variance in expenditures of \$1,218,930 between the final amended budget and the actual is the result of the police and fire departments exceeding their budgets for personal services by \$94,347 and \$101,255 respectively and the safety/service department going over budget by \$1,091,878 for contractual services which includes the City's payments for basic utilities. The remainder of the departments came in under the final amended budget by a combined \$68,550.

Revenues and expenditures are constantly being reviewed by the Auditor's office for adherence to the budget approved by City Council. Financial reports are given to the Administration and City Council for their review. The Auditor's office also works with the department heads to manage their budgets.

**Capital Assets and Debt Administration**

***Capital Assets***

Total capital assets for the City of Lorain for its governmental and business-type activities as of December 31, 2007 were \$234,368,245. Of this total, \$138,976,086 was for governmental activities and \$95,392,159 was for

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

business-type activities. This investment in capital assets includes land, building structures and improvements, machinery and equipment, furniture and fixtures, infrastructure (including water and sewer lines) and construction in progress.

**Table 5**  
**Capitals Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$9,479,638	\$8,372,342	\$617,876	\$617,876	\$10,097,514	\$8,990,218
Construction in Progress	7,195,763	17,818,205	20,677,155	5,472,709	27,872,918	23,290,914
Buildings and Improvements	14,589,359	8,958,464	25,624,119	25,974,325	40,213,478	34,932,789
Machinery and Equipment	9,571,455	9,535,476	3,500,543	2,665,340	13,071,998	12,200,816
Furniture and Fixtures	53,889	59,080	0	0	53,889	59,080
Infrastructure:						
Streets and Sidewalks	98,085,982	107,335,961	0	0	98,085,982	107,335,961
Water Lines	0	0	15,857,614	15,317,893	15,857,614	15,317,893
Sewer Lines	0	0	29,114,852	27,300,914	29,114,852	27,300,914
<i>Total Capital Assets</i>	<u>\$138,976,086</u>	<u>\$152,079,528</u>	<u>\$95,392,159</u>	<u>\$77,349,057</u>	<u>\$234,368,245</u>	<u>\$229,428,585</u>

Major capital asset additions in governmental activities during the year included the following:

- \$ 950,533 – Heritage Urban Renewal Area - Infrastructure
- \$ 950,379 – Campana Park Baseball Field Construction
- \$ 581,530 – Riverbend Commerce Park – Infrastructure
- \$ 521,897 – Street Equipment Purchase
- \$ 421,418 – Police 12 Day Holding Cell Construction
- \$ 275,964 – Police Equipment Purchase
- \$ 258,275 – Lighthouse Urban Renewal Area - Infrastructure
- \$ 224,532 – Kolbe Road Rehabilitation and Repaving

Major capital asset additions in business-type activities during the year included the following:

- \$14,316,783 – Westside Sanitary Relief Sewers
- \$ 1,926,414 – East Central Sanitary Relief Sewers
- \$ 737,554 – Brownell Avenue Waterline Replacement
- \$ 545,373 – Wastewater Treatment Plant Roof Replacement
- \$ 475,363 – Sewer Equipment Purchase

Of these major capital asset additions, all with the exception of the Street, Police and Sewer equipment purchases, Campana Park baseball field construction, and the wastewater treatment plant roof replacement were still in progress at year end.

City Council is committed along with the Administration to maintain its capital assets at a condition acceptable to provide the best possible service for all residents. The Administration continues to seek grants for infrastructure projects as well as improving City facilities and services.

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

See Note 8 of the Notes to the Basic Financial Statements for additional information on the City's capital assets.

***Debt Administration***

On December 31, 2007, the City of Lorain had \$94,451,900 in bonds, loans, and capital leases outstanding, with \$6,331,267 due within one year. Table 6 summarizes bonds, loans, and capital leases outstanding.

**Table 6**  
**Long-Term Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$27,731,792	\$26,222,206	\$1,207,975	\$1,363,756	\$28,939,767	\$27,585,962
Special Assessment Bonds	567,014	664,719	0	0	567,014	664,719
Revenue Bonds	0	0	8,138,159	9,147,462	8,138,159	9,147,462
OWDA Loans	0	0	43,621,429	28,225,785	43,621,429	28,225,785
HUD Section 108 Loans	5,455,000	5,900,000	0	0	5,455,000	5,900,000
OPWC Loans	2,088,849	2,159,087	0	0	2,088,849	2,159,087
ODOD Loan	1,240,041	1,240,041	0	0	1,240,041	1,240,041
ODOT Loans	1,062,114	953,999	0	0	1,062,114	953,999
Installment Loans	250,000	0	0	0	250,000	0
Capital Leases	2,832,561	1,793,667	256,966	0	3,089,527	1,793,667
<i>Total</i>	<u>\$41,227,371</u>	<u>\$38,933,719</u>	<u>\$53,224,529</u>	<u>\$38,737,003</u>	<u>\$94,451,900</u>	<u>\$77,670,722</u>

The general obligation bonds include the following:

- \$4,970,000 Riverfront Urban Renewal Refunding bond issued in 2007 for the advance refunding of the Riverfront Urban Renewal Bond issued in 2000 for Phase I of the HarborWalk project
- \$1,315,000 Heritage Urban Renewal bond issued in 2007 for the Deerfield Village project.
- \$1,280,000 Various purpose bond issued in 2007 for Colorado Avenue and State Route 6 road rehabilitation and repavement.
- \$1,510,000 Lighthouse Urban Renewal bond issued in 2006 for Phase I of the Lighthouse Village project.
- \$2,595,000 Energy Conservation bond issued in 2005 for City building upgrades.
- \$4,470,000 Riverfront Urban Renewal bond issued in 2003 for Phase II and III of the HarborWalk project.
- \$7,700,000 Safety/Service bond issued in 2002 for improvements to the Police department including a new jail, capital expenditures for the fire department (new west side fire station, aerial ladder truck and pumper), and park and cemetery improvements.
- The remainder of the bonds issued is for various purposes dating back to 1988.

The special assessment bonds consist of two street assessment projects.

The revenue bonds are for water (\$5,656,992) and sewer (\$2,481,167) and both were issued in 1995.

The Ohio Water Development Authority (OWDA) loans are for water and sewer projects dating back to 1978. The major loans are for the following projects, some which are related to the Sanitary Sewer Overflow (SSO) project mandated by the Environmental Protection Agency:

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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- \$ 1,595,215 from 2000 for the East Erie waterline replacement
- \$ 2,015,299 from 2001 for the Colorado Avenue/Root Road waterline replacement
- \$ 1,864,460 for the West Side waterline replacement
- \$ 3,457,442 from 2001 for the Tacoma Avenue relief sewer (SSO)
- \$ 7,313,157 from 2001 for the Idaho Avenue pump station (SSO)
- \$ 3,383,299 from 2003 for the Central Lorain (4W) waterline replacement
- \$ 1,963,904 from 2004 for the Kay Drive retention basin
- \$ 1,124,913 from 2004 for the Pearl and Tacoma Ave. pump station (SSO)
- \$ 3,116,972 from 2006 for the East Central relief sewer (SSO)
- \$14,552,323 from 2007 for the Westside Sanitary Relief Sewer (SSO)

The HUD Section 108 Loans are Community Development loans for the Head Start building (\$50,000 and \$550,000), Riverbend Commerce Park infrastructure (\$1,500,000), expansion of the City's existing business development revolving loan fund (\$1,375,000) and \$1,980,000 for acquisition of property and professional services for future economic development for the City.

The Ohio Department of Development (ODOD) urban redevelopment loan is for the purpose of land acquisition, infrastructure and site preparation within the Colorado Avenue Industrial Area Urban Renewal Plan Area.

The Ohio Department of Transportation (ODOT) state infrastructure bank (SIB) loans are for the rehabilitation and repaving of State Route 57 (\$842,492), East 36<sup>th</sup> St. (\$191,772), and various local roadways (\$27,850).

The Ohio Public Works Commission (OPWC) loans represent interest free loans obtained to finance road improvement projects throughout the City. These loans are paid from monies transferred into the debt service funds from the general fund.

The City's overall legal ten and one-half percent debt limitation (voted and unvoted) on December 31, 2007 was \$109,296,810. The outstanding debt, after issuance of bonds subject to the ten and one-half percent limitation, is \$38,306,494. The difference of \$70,990,316 represents the amount of additional voted and unvoted nonexempt debt, which the City may issue without exceeding the ten and one-half percent limitation.

The City's general obligation bond rating is Baa2 from Moody's and was assigned this rating in April 2007.

See Notes 10, 11 and 12 of the Notes to the Basic Financial Statements for additional information on the City's outstanding debt obligations.

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

The City is ideally situated on the shores of Lake Erie, approximately 30 miles west of Cleveland and 90 miles east of Toledo. The City is gradually moving from an industrial town to a City with a diversified local economy with less reliance on the large employers. The City remains committed to capitalizing on its location on Lake Erie, and the Black River, with **Lorain Lakefront Development** projects aimed at enhancing its downtown and waterfront areas. The HarborWalk condominium development and the Black River Landing festival area are the foundations of this goal to revitalize the downtown and waterfront. The City of Lorain and the Lorain Port Authority have signed a cooperative agreement to market the development of this site along with additional



**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

property along the Black River that is owned by the Port Authority. A contract to market the property on an international level was awarded to Staubach, Inc. in May 2007.

On a cash basis, the City's income tax collections account for approximately fifty-six percent (56 percent) of the General Fund revenues. Because of this, budgets are forecasted relying mainly on employment conditions. The following table demonstrates the changes in employment of those major employers as of December 31, 2007.

**Table 7**  
**Top Ten Employers**

Employer	Nature of Business	2002	2003	2004	2005	2006	2007
Community Health Partners	Health Care	2,100	1,803	1,803	1,865	1,853	2,174
Industrias CH, S.A. de C.V. (REP) *	Steel Manufacturing	1,000	1,073	1,147	1,100	1,100	1,100
Lorain City School District	Education	1,200	1,493	1,222	1,150	1,206	866
City of Lorain	Government	534	539	530	545	545	531
Lorain Tubular	Steel Manufacturing	500	410	428	485	518	519
The Nord Center	Health Care	230	230	244	240	243	288
Emerson Network Power	Telecommunications	585	537	396	308	292	282
Cleveland Clinic - Lorain	Health Care	0	0	273	277	297	280
CAMACO, Inc	Automotive Seating Sys.	250	262	300	211	218	203
Lake Point Health Center	Health Care	0	0	0	0	208	190

\* Formerly Republic Engineered Products (REP)

The December 2007 unemployment rate for the City was 7.4 percent while the unemployment rate for Lorain County was 6.4 percent and the State of Ohio was 5.8 percent (based on the Ohio Job & Family Services, Office of Workforce Development).

The following highlights ongoing projects that will create new jobs and housing for the residents of the City:

**Lighthouse Village** - a 65 acre retail development of an approximately 500,000 square feet anchored by Kohl's Department Store and Home Depot. This project is expected to generate approximately \$40 million in private investment and \$100 million in annual sales. Lighthouse Village is expected to create 950 new jobs with an annual payroll of approximately \$17 million. Kohl's Department Store opened October 1, 2006, Home Depot opened February 1, 2007 and Applebee's Restaurant opened in December 2007.

The City has received and adopted the **Lorain West Urban Renewal Plan**. The Urban Renewal Plan will allow the City to work aggressively with the private market to bring this land back into active use. This plan area includes the Amherst Development Co. LLC (aka Heritage Development) with their 200 plus housing subdivision and retail center of approximately 250,000 square feet, of which half would be in the City of Lorain. Planning began in 2007 for the housing development portion of this project.

The Plan Area also includes the Ford Assembly Plant which was closed in December 2005. Ford sold the facility in December 2006 to Industrial Realty Group (IRG), a California developer that specializes in

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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transforming old industrial sites. The plan provides for new zoning classifications that can be readily adopted, and puts in place a Tax Increment Financing (TIF) district to allow the City to work with the developer to make the necessary public improvements to allow the 225 plus acres to be subdivided and marketed quickly. IRG began attracting new businesses and jobs to this site in 2007.

Below are companies that have either moved into this facility or have committed to doing so as of the end of 2007:

**Trademark Global**, an internet sales company, moved into the site in September 2007. Trademark has 50 full time employees and hires up to 140 seasonal (October through February) with an estimated annual payroll of \$2 million. Annual sales are in excess of \$14 million.

**Jiffy Products**, a supplier of plant propagation, seed, forestry, plants and trees, will move into the site in March of 2008. Jiffy has 50 full time employees and hires up to 50 seasonal (October through February) with an estimated annual payroll of \$1.5 million. Jiffy imports and distributes items to retailers, mostly in the United States, but also in 22 other countries.

**Vermilion Indoor Storage** will move into the site in April 2008. They are leasing 100,000 square feet of space for storage of boats, recreational vehicles, classic cars and trailers and the facility will be heated in the winter. Plans call for leasing of some outdoor storage space as the need arises.

IRG continues working with various companies to relocate to the site.

**Riverbend Commerce Park** (formerly named Colorado Industrial Park): A current tenant of the commerce park is moving ahead with plan to construct a 40,000 square foot addition which will create an estimated 45 additional jobs. Construction also began in 2007 on the 30,000 square foot "spec" building being built on the site. This project will allow for approximately 75 acres of light industrial and commercial development within the City.

The City ended 2007 with a \$323,176 cash deficit in the general fund and the budget for 2008 was passed with the intent of maintaining services at their current level and not increasing this deficit.

### **Request for Information**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Ronald L. Mantini, Auditor  
[Ron\\_Mantini@cityoflorain.org](mailto:Ron_Mantini@cityoflorain.org)

or

Anita J. Harper, Chief Deputy Auditor  
[Anita\\_Harper@cityoflorain.org](mailto:Anita_Harper@cityoflorain.org)

City of Lorain  
200 W. Erie Ave. – 6th Floor  
Lorain, OH 44052-1647



## **Basic Financial Statements**

**City of Lorain, Ohio**  
*Statement of Net Assets*  
*December 31, 2007*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$10,463,921	\$4,228,723	\$14,692,644
Cash and Cash Equivalents:			
In Segregated Accounts	42,138	0	42,138
With Trustee	0	2,773,137	2,773,137
With Fiscal Agents	213,353	0	213,353
With Escrow Agents	991,591	0	991,591
Accounts Receivable	34,218	3,163,774	3,197,992
Inventory Held for Resale	1,447,275	0	1,447,275
Materials and Supplies Inventory	878,952	737,513	1,616,465
Internal Balances	(164,610)	164,610	0
Intergovernmental Receivable	9,755,540	70,954	9,826,494
Prepaid Items	23,527	31,460	54,987
Municipal Income Taxes Receivable	2,274,715	0	2,274,715
Property Taxes Receivable	4,796,658	0	4,796,658
Special Assessments Receivable	670,819	0	670,819
Loans Receivable	16,812,168	493,352	17,305,520
Deferred Charges	776,195	171,553	947,748
Capital Assets, Non-Depreciable	16,675,401	21,295,031	37,970,432
Capital Assets, Depreciable, Net	122,300,685	74,097,128	196,397,813
<i>Total Assets</i>	<u>187,992,546</u>	<u>107,227,235</u>	<u>295,219,781</u>
<b>Liabilities</b>			
Accounts Payable	354,682	690,820	1,045,502
Contracts Payable	382,856	69,280	452,136
Accrued Wages and Benefits	491,821	138,842	630,663
Matured Compensated Absences Payable	21,651	0	21,651
Intergovernmental Payable	1,818,821	461,657	2,280,478
Deferred Revenue	4,259,833	0	4,259,833
Retainage Payable	0	259,510	259,510
Accrued Interest Payable	363,806	125,808	489,614
Notes Payable	5,385,000	0	5,385,000
Claims Payable	664,278	0	664,278
Long-Term Liabilities:			
Due Within One Year	4,162,938	3,492,620	7,655,558
Due In More Than One Year	43,444,431	50,991,599	94,436,030
<i>Total Liabilities</i>	<u>61,350,117</u>	<u>56,230,136</u>	<u>117,580,253</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	97,026,059	42,339,183	139,365,242
Restricted for:			
Capital Projects	1,235,939	0	1,235,939
Debt Service	833,898	2,662,538	3,496,436
Community Development	24,612,268	0	24,612,268
Police Levy	1,090,098	0	1,090,098
Streets	1,022,586	0	1,022,586
Law Enforcement	852,094	0	852,094
Replacement and Improvement	0	300,000	300,000
Utility Reserve	0	1,305,744	1,305,744
Capital Leases	991,591	0	991,591
Other Purposes	753,219	0	753,219
Unrestricted (Deficit)	(1,775,323)	4,389,634	2,614,311
<i>Total Net Assets</i>	<u>\$126,642,429</u>	<u>\$50,997,099</u>	<u>\$177,639,528</u>

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$12,812,199	\$1,573,146	\$176,343	\$0
Security of Persons and Property	19,390,489	732,371	244,034	0
Transportation	14,435,681	42,063	2,604,665	752,315
Public Health	1,995,300	1,410,674	489,943	159,690
Community Environment	1,104,662	651,875	401,690	0
Economic Development	2,926,740	151,841	5,295,601	0
Leisure Time Activities	501,112	80,801	0	0
Interest and Fiscal Charges	1,950,140	0	0	0
<i>Total Governmental Activities</i>	<u>55,116,323</u>	<u>4,642,771</u>	<u>9,212,276</u>	<u>912,005</u>
<b>Business-Type Activities</b>				
Water Works	7,614,864	7,925,938	0	0
Water Pollution Control	9,149,590	10,895,096	0	0
<i>Total Business-Type Activities</i>	<u>16,764,454</u>	<u>18,821,034</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$71,880,777</u>	<u>\$23,463,805</u>	<u>\$9,212,276</u>	<u>\$912,005</u>

**General Revenues**

Property Taxes Levied for:

    General Purposes

    Police Pension

    Fire Pension

    Debt Service

Municipal Income Taxes Levied for

    General Purposes

    Police Levy

Grants and Entitlements not Restricted  
to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

Extraordinary Item

Transfers

*Total General Revenues, Extraordinary Items  
and Transfers*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$11,062,710)	\$0	(\$11,062,710)
(18,414,084)	0	(18,414,084)
(11,036,638)	0	(11,036,638)
65,007	0	65,007
(51,097)	0	(51,097)
2,520,702	0	2,520,702
(420,311)	0	(420,311)
(1,950,140)	0	(1,950,140)
<u>(40,349,271)</u>	<u>0</u>	<u>(40,349,271)</u>
0	311,074	311,074
<u>0</u>	<u>1,745,506</u>	<u>1,745,506</u>
0	2,056,580	2,056,580
<u>(40,349,271)</u>	<u>2,056,580</u>	<u>(38,292,691)</u>
3,379,848	0	3,379,848
310,780	0	310,780
342,860	0	342,860
1,261,137	0	1,261,137
16,308,518	0	16,308,518
2,296,810	0	2,296,810
6,083,171	0	6,083,171
811,699	110,225	921,924
435,314	60,374	495,688
<u>31,230,137</u>	<u>170,599</u>	<u>31,400,736</u>
0	(693,389)	(693,389)
(2,327,231)	2,327,231	0
<u>28,902,906</u>	<u>1,804,441</u>	<u>30,707,347</u>
(11,446,365)	3,861,021	(7,585,344)
<u>138,088,794</u>	<u>47,136,078</u>	<u>185,224,872</u>
<u>\$126,642,429</u>	<u>\$50,997,099</u>	<u>\$177,639,528</u>

**City of Lorain, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2007*

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$0	\$3,512,891	\$219,940	\$1,535,696	\$4,797,663	\$10,066,190
Cash and Cash Equivalents						
In Segregated Accounts	42,138	0	0	0	0	42,138
With Fiscal Agents	0	213,353	0	0	0	213,353
With Escrow Agents	525,000	0	0	0	466,591	991,591
Accounts Receivable	0	0	0	0	34,218	34,218
Inventory Held for Resale	0	1,447,275	0	0	0	1,447,275
Materials and Supplies Inventory	117,844	3,352	0	0	159,343	280,539
Interfund Receivable	0	0	0	323,176	23,717	346,893
Intergovernmental Receivable	3,102,499	4,575,258	78,500	857,041	1,142,242	9,755,540
Prepaid Items	16,444	4,218	0	0	2,865	23,527
Municipal Income Taxes Receivable	1,984,957	0	0	0	289,758	2,274,715
Property Taxes Receivable	3,147,408	0	1,030,782	0	618,468	4,796,658
Special Assessments Receivable	192,055	0	0	0	478,764	670,819
Loans Receivable	0	16,604,549	207,619	0	0	16,812,168
<b>Total Assets</b>	<b>\$9,128,345</b>	<b>\$26,360,896</b>	<b>\$1,536,841</b>	<b>\$2,715,913</b>	<b>\$8,013,629</b>	<b>\$47,755,624</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$167,441	\$36,650	\$0	\$4,478	\$96,621	\$305,190
Contracts Payable	0	0	0	177,504	205,352	382,856
Accrued Wages and Benefits	373,958	26,109	0	0	81,429	481,496
Matured Compensated Absences Payable	21,651	0	0	0	0	21,651
Intergovernmental Payable	1,441,783	103,774	0	0	237,268	1,782,825
Interfund Payable	465,318	1,503	0	0	0	466,821
Claims Payable	19,242	0	0	0	0	19,242
Accrued Interest Payable	3,641	11,611	178	43,679	26,468	85,577
Notes Payable	0	1,024,000	0	4,361,000	0	5,385,000
Deferred Revenue	5,334,642	4,575,258	1,316,901	719,176	1,859,689	13,805,666
<b>Total Liabilities</b>	<b>7,827,676</b>	<b>5,778,905</b>	<b>1,317,079</b>	<b>5,305,837</b>	<b>2,506,827</b>	<b>22,736,324</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	687,255	486,359	0	799,260	745,594	2,718,468
Reserved for Loans	0	15,580,387	0	0	0	15,580,387
Reserved for Capital Leases	525,000	0	0	0	466,591	991,591
Reserved for Inventory Held for Resale	0	1,447,275	0	0	0	1,447,275
Reserved for Debt Service	0	213,353	0	0	0	213,353
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	88,414	0	0	0	0	88,414
Special Revenue Funds	0	2,854,617	0	0	3,638,764	6,493,381
Debt Service Funds	0	0	219,762	0	0	219,762
Capital Projects Funds	0	0	0	(3,389,184)	655,853	(2,733,331)
<b>Total Fund Balances (Deficit)</b>	<b>1,300,669</b>	<b>20,581,991</b>	<b>219,762</b>	<b>(2,589,924)</b>	<b>5,506,802</b>	<b>25,019,300</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,128,345</b>	<b>\$26,360,896</b>	<b>\$1,536,841</b>	<b>\$2,715,913</b>	<b>\$8,013,629</b>	<b>\$47,755,624</b>

See accompanying notes to the basic financial statements



**City of Lorain, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2007*

**Total Governmental Fund Balances** \$25,019,300

*Amounts reported for governmental activities in  
 the statement of net assets are different because*

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 138,976,086

Other long-term assets are not available to pay for current-period  
 expenditures and therefore are deferred in the funds:

Special Assessments	\$670,819
Delinquent Property Taxes	601,350
Intergovernmental	7,939,678
Municipal Income Taxes	<u>333,986</u>

**Total** 9,545,833

Bond issuance costs will be amortized over the life of the bonds  
 on the statement of net assets 776,195

Two internal service funds are used by management to charge the  
 costs of insurance and garage repairs to individual funds. The  
 assets and liabilities of the internal service funds are included in  
 governmental activities in the statement of net assets.

Net Assets	179,366
Capital Assets	(197,801)
Bonds Payable	169,527
Compensated Absences	105,643
Internal Balances	<u>(46,122)</u>

**Total** 210,613

In the statement of activities, interest is accrued on outstanding  
 bonds, whereas in governmental fund, an interest expenditure  
 is reported when due (278,229)

Long-term liabilities, including bonds and compensated absences,  
 are not due and payable in the current period therefore are  
 not reported in the funds:

General Obligation Bonds	(27,978,951)
Special Assessment Bonds	(567,014)
HUD Section 108 Loans	(5,455,000)
OPWC Loans	(2,088,849)
Other Loans	(2,552,155)
Compensated Absences	(6,379,998)
Capital Leases	(2,832,561)
Bond Premium	(20,559)
Refunding	<u>267,718</u>

**Total** (47,607,369)

*Net Assets of Governmental Activities* \$126,642,429

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$3,241,801	\$0	\$1,213,314	\$0	\$624,948	\$5,080,063
Municipal Income Taxes	16,335,517	0	0	0	2,302,429	18,637,946
Charges for Services	469,517	0	0	0	942,028	1,411,545
Licenses and Permits	766,736	143,147	0	0	278,850	1,188,733
Fines and Forfeitures	984,982	0	0	0	796,054	1,781,036
Intergovernmental	6,455,385	2,260,095	152,843	758,443	3,806,085	13,432,851
Special Assessments	0	0	0	0	71,842	71,842
Interest	542,278	174,664	75,765	0	18,992	811,699
Miscellaneous	221,386	15,413	40,000	6,099	142,179	425,077
<b>Total Revenues</b>	<b>29,017,602</b>	<b>2,593,319</b>	<b>1,481,922</b>	<b>764,542</b>	<b>8,983,407</b>	<b>42,840,792</b>
<b>Expenditures</b>						
<b>Current:</b>						
General Government	8,558,615	0	29,238	0	230,056	8,817,909
Security of Persons and Property	16,711,829	0	0	0	2,737,549	19,449,378
Transportation	0	0	0	0	3,284,017	3,284,017
Public Health	324,661	0	0	0	1,668,213	1,992,874
Community Environment	634,093	0	0	0	461,302	1,095,395
Economic Development	0	2,882,602	0	0	0	2,882,602
Leisure Time Activities	1,123,540	0	0	0	55,035	1,178,575
Capital Outlay	0	0	0	2,277,213	950,754	3,227,967
<b>Debt Service:</b>						
Principal Retirement	278,985	445,000	1,091,096	0	612,663	2,427,744
Interest and Fiscal Charges	119,388	344,575	1,031,103	41,499	343,366	1,879,931
Bond Issuance Costs	0	65,107	199,178	61,759	0	326,044
<b>Total Expenditures</b>	<b>27,751,111</b>	<b>3,737,284</b>	<b>2,350,615</b>	<b>2,380,471</b>	<b>10,342,955</b>	<b>46,562,436</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<b>1,266,491</b>	<b>(1,143,965)</b>	<b>(868,693)</b>	<b>(1,615,929)</b>	<b>(1,359,548)</b>	<b>(3,721,644)</b>
<b>Other Financing Sources (Uses)</b>						
Capital Lease Proceeds	525,000	0	0	0	900,000	1,425,000
Bonds Issued	0	1,315,000	0	1,280,000	0	2,595,000
Refunding Bonds Issued	0	0	4,970,000	0	0	4,970,000
Loans Received	50,000	0	0	257,572	200,000	507,572
Premium on Debt Issuance	0	0	0	1,072	0	1,072
Discount on Debt Issuance	0	(5,619)	(46,857)	0	0	(52,476)
Payment to Refunded Bond Escrow Agent	0	0	(4,715,431)	0	0	(4,715,431)
Transfers In	16,088	100,000	692,342	799,976	1,089,338	2,697,744
Transfers Out	(1,785,934)	(115,746)	0	(100,000)	(696,064)	(2,697,744)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,194,846)</b>	<b>1,293,635</b>	<b>900,054</b>	<b>2,238,620</b>	<b>1,493,274</b>	<b>4,730,737</b>
<b>Net Change in Fund Balances</b>	<b>71,645</b>	<b>149,670</b>	<b>31,361</b>	<b>622,691</b>	<b>133,726</b>	<b>1,009,093</b>
<b>Fund Balances (Deficit) Beginning of Year</b>	<b>1,229,024</b>	<b>20,432,321</b>	<b>188,401</b>	<b>(3,212,615)</b>	<b>5,373,076</b>	<b>24,010,207</b>
<b>Fund Balances (Deficit) End of Year</b>	<b>\$1,300,669</b>	<b>\$20,581,991</b>	<b>\$219,762</b>	<b>(\$2,589,924)</b>	<b>\$5,506,802</b>	<b>\$25,019,300</b>

See accompanying notes to the basic financial statements

**City of Lorain, 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, 2007*

**Net Change in Fund Balances - Total Governmental Funds** **\$1,009,093**

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital Asset Additions	\$5,859,697	
Current Year Depreciation	<u>(16,457,851)</u>	
Total		(10,598,154)

In the statement of activities, a gain or loss is reported for each disposal of capital assets (2,505,288)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	214,562	
Intergovernmental	2,774,601	
Municipal Income Taxes	(32,618)	
Special Assessments	<u>(88,255)</u>	
Total		2,868,290

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities:

Bonds Issued	(7,565,000)	
Bond Premium	(1,072)	
Bond Discount	52,476	
Loans Received	(507,572)	
Inception of Capital Lease	<u>(1,425,000)</u>	
Total		(9,446,168)

Repayment of long term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Bonds, Notes and Loans Principal	2,041,638	
Payment to the Refunded Bond Escrow Agent	4,715,431	
Capital Lease Principal	<u>386,106</u>	
Total		7,143,175

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due

Accrued Interest	(26,943)	
Amortization of Bond Premium	1,194	
Amortization of Bond Discount	(1,416)	
Amortization of Loss on Refunding	(7,713)	
Amortization of Bond Issuance Costs	<u>(35,331)</u>	
Total		(70,209)

Bond issuance costs are recognized as deferred charges and will be amortized over the life of the bonds on the statement of activities 326,044

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(253,561)
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The internal service fund used by management to charge the costs of insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities:

Change in Net Assets	124,981	
Capital Assets, Net	4,719	
Compensated Absences	(28,374)	
Interest Expense	8,126	
Internal Balance	<u>(29,039)</u>	
Total		<u>80,413</u>

*Change in Net Assets of Governmental Activities* (\$11,446,365)

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**General Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$2,923,786	\$2,923,786	\$3,098,707	\$174,921
Municipal Income Taxes	16,199,741	16,199,741	16,517,197	317,456
Charges for Services	433,912	473,953	469,517	(4,436)
Licenses and Permits	1,091,550	1,091,950	766,736	(325,214)
Fines and Forfeitures	1,175,000	1,180,645	990,035	(190,610)
Intergovernmental	6,464,912	6,504,912	6,708,317	203,405
Interest	300,500	549,845	527,730	(22,115)
Miscellaneous	137,650	188,966	235,213	46,247
<i>Total Revenues</i>	<u>28,727,051</u>	<u>29,113,798</u>	<u>29,313,452</u>	<u>199,654</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	7,244,411	8,177,321	9,239,080	(1,061,759)
Security of Persons and Property	16,580,417	16,626,519	16,796,851	(170,332)
Public Health Services	308,492	322,003	323,709	(1,706)
Community Environment	693,969	655,491	652,990	2,501
Leisure Time Activities	986,721	1,138,052	1,125,687	12,365
<b>Debt Service:</b>				
Principal Retirement	278,985	278,985	278,985	0
Interest and Fiscal Charges	115,748	115,748	115,747	1
<i>Total Expenditures</i>	<u>26,208,743</u>	<u>27,314,119</u>	<u>28,533,049</u>	<u>(1,218,930)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>2,518,308</u>	<u>1,799,679</u>	<u>780,403</u>	<u>(1,019,276)</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	117,157	733,157	283,157	(450,000)
Capital Lease Proceeds	0	525,000	525,000	0
Loan Received	0	50,000	50,000	0
Transfers In	13,088	13,088	16,088	3,000
Transfers Out	(1,406,785)	(1,866,785)	(1,785,934)	80,851
<i>Total Other Financing Sources (Uses)</i>	<u>(1,276,540)</u>	<u>(545,540)</u>	<u>(911,689)</u>	<u>(366,149)</u>
<i>Net Change in Fund Balance</i>	1,241,768	1,254,139	(131,286)	(1,385,425)
<i>Fund Balance (Deficit) Beginning of Year</i>	(1,339,355)	(1,339,355)	(1,339,355)	0
Prior Year Encumbrances Appropriated	212,160	212,160	212,160	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$114,573</u>	<u>\$126,944</u>	<u>(\$1,258,481)</u>	<u>(\$1,385,425)</u>

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Community Development Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$6,157,943	\$6,419,977	\$4,370,472	(\$2,049,505)
Licenses and Permits	200,000	200,000	143,147	(56,853)
Interest	99,700	129,710	179,611	49,901
Miscellaneous	8,302	10,302	15,413	5,111
<i>Total Revenues</i>	<u>6,465,945</u>	<u>6,759,989</u>	<u>4,708,643</u>	<u>(2,051,346)</u>
<b>Expenditures:</b>				
Current:				
Economic Development	8,893,151	10,534,037	6,034,168	4,499,869
Debt Service:				
Principal Retirement	626,541	626,541	445,000	181,541
Interest and Fiscal Charges	483,364	483,364	343,322	140,042
Bond Issuance Costs	0	65,107	65,107	0
<i>Total Expenditures</i>	<u>10,003,056</u>	<u>11,709,049</u>	<u>6,887,597</u>	<u>4,821,452</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,537,111)</u>	<u>(4,949,060)</u>	<u>(2,178,954)</u>	<u>2,770,106</u>
<b>Other Financing Sources (Uses):</b>				
Loans Received	1,059,959	1,059,959	0	(1,059,959)
Bonds Issued	0	1,315,000	1,315,000	0
Notes Issued	50,000	130,000	80,000	(50,000)
Discount on Bonds Issued	0	(5,619)	(5,619)	0
Transfers In	74,945	21,710	100,000	78,290
Transfers Out	0	(115,747)	(115,746)	1
<i>Total Other Financing Sources (Uses)</i>	<u>1,184,904</u>	<u>2,405,303</u>	<u>1,373,635</u>	<u>(1,031,668)</u>
<i>Net Change in Fund Balance</i>	(2,352,207)	(2,543,757)	(805,319)	1,738,438
<i>Fund Balance Beginning of Year</i>	3,258,438	3,258,438	3,258,438	0
Prior Year Encumbrances Appropriated	748,945	748,945	748,945	0
<i>Fund Balance End of Year</i>	<u>\$1,655,176</u>	<u>\$1,463,626</u>	<u>\$3,202,064</u>	<u>\$1,738,438</u>

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
**Statement of Fund Net Assets**  
*Proprietary Funds*  
December 31, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
<b>Assets</b>				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,434,784	\$1,188,195	\$2,622,979	\$397,731
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	483,929	1,121,815	1,605,744	0
Accounts Receivable	1,246,843	1,916,931	3,163,774	0
Materials and Supplies Inventory	534,405	203,108	737,513	598,413
Interfund Receivable	116,025	2,463	118,488	1,440
Intergovernmental Receivable	0	70,954	70,954	0
Prepaid Items	26,680	4,780	31,460	0
Loans Receivable	0	493,352	493,352	0
<b>Total Current Assets</b>	<b>3,842,666</b>	<b>5,001,598</b>	<b>8,844,264</b>	<b>997,584</b>
<i>Noncurrent Assets</i>				
Restricted Assets:				
Cash and Cash Equivalents With Trustee	1,276,306	1,496,831	2,773,137	0
Unamortized Bond Issuance Costs	115,955	55,598	171,553	0
Non-Depreciable Capital Assets	1,218,227	20,076,804	21,295,031	0
Depreciable Capital Assets, Net	23,851,589	50,245,539	74,097,128	197,801
<b>Total Noncurrent Assets</b>	<b>26,462,077</b>	<b>71,874,772</b>	<b>98,336,849</b>	<b>197,801</b>
<b>Total Assets</b>	<b>30,304,743</b>	<b>76,876,370</b>	<b>107,181,113</b>	<b>1,195,385</b>
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Accounts Payable	171,672	519,148	690,820	49,492
Contracts Payable	0	69,280	69,280	0
Accrued Wages and Benefits	68,171	70,671	138,842	10,325
Intergovernmental Payable	219,200	242,457	461,657	35,996
Accrued Interest Payable	78,807	47,001	125,808	0
Retainage Payable	29,425	230,085	259,510	0
Claims Payable	0	0	0	645,036
Capital Leases Payable	0	48,602	48,602	0
Compensated Absences Payable	63,812	76,375	140,187	46,034
Bonds Payable - Current	656,591	640,264	1,296,855	17,996
OWDA Loans - Current	424,660	1,582,316	2,006,976	0
<b>Total Current Liabilities</b>	<b>1,712,338</b>	<b>3,526,199</b>	<b>5,238,537</b>	<b>804,879</b>
<i>Long-Term Liabilities (Net of Current Portion)</i>				
Capital Leases Payable	0	208,364	208,364	0
Compensated Absences Payable	502,726	616,777	1,119,503	59,609
Bonds Payable	6,017,486	2,031,793	8,049,279	151,531
OWDA Loans	9,519,691	32,094,762	41,614,453	0
<b>Total Long-Term Liabilities</b>	<b>16,039,903</b>	<b>34,951,696</b>	<b>50,991,599</b>	<b>211,140</b>
<b>Total Liabilities</b>	<b>17,752,241</b>	<b>38,477,895</b>	<b>56,230,136</b>	<b>1,016,019</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	8,567,343	33,771,840	42,339,183	28,274
Restricted For:				
Debt Service	1,202,127	1,460,411	2,662,538	0
Replacement and Improvement	150,000	150,000	300,000	0
Utility Reserve	333,929	971,815	1,305,744	0
Unrestricted	2,299,103	2,044,409	4,343,512	151,092
<b>Total Net Assets</b>	<b>\$12,552,502</b>	<b>\$38,398,475</b>	<b>50,950,977</b>	<b>\$179,366</b>

Some amounts reported for business-type activities in the statement of net assets are different because internal service fund assets are included with business-type activities

46,122

Net assets business-type activities

\$50,997,099

**City of Lorain, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2007*

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Works</u>	<u>Water Pollution Control</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Operating Revenues</b>				
Charges for Services	\$7,925,938	\$10,895,096	\$18,821,034	\$6,510,739
Miscellaneous	40,230	20,144	60,374	13,093
<i>Total Operating Revenues</i>	<u>7,966,168</u>	<u>10,915,240</u>	<u>18,881,408</u>	<u>6,523,832</u>
<b>Operating Expenses</b>				
Personal Services	3,809,536	4,292,418	8,101,954	623,213
Materials and Supplies	626,578	502,233	1,128,811	938,388
Contractual Services	719,688	660,439	1,380,127	1,560
Claims	0	0	0	4,819,299
Basic Utilities	658,668	755,345	1,414,013	0
Other Operating Expenses	149,484	131,759	281,243	3,546
Depreciation	809,990	1,833,820	2,643,810	4,719
<i>Total Operating Expenses</i>	<u>6,773,944</u>	<u>8,176,014</u>	<u>14,949,958</u>	<u>6,390,725</u>
<i>Operating Income</i>	<u>1,192,224</u>	<u>2,739,226</u>	<u>3,931,450</u>	<u>133,107</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest	49,630	60,595	110,225	0
Interest and Fiscal Charges	(855,056)	(988,479)	(1,843,535)	(8,126)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(805,426)</u>	<u>(927,884)</u>	<u>(1,733,310)</u>	<u>(8,126)</u>
<i>Income Before Contributions and Extraordinary Item</i>	386,798	1,811,342	2,198,140	124,981
Capital Contributions	975,624	1,351,607	2,327,231	0
Extraordinary Item	0	(693,389)	(693,389)	0
<i>Change in Net Assets</i>	1,362,422	2,469,560	3,831,982	124,981
<i>Net Assets Beginning of Year</i>	<u>11,190,080</u>	<u>35,928,915</u>		<u>54,385</u>
<i>Net Assets End of Year</i>	<u>\$12,552,502</u>	<u>\$38,398,475</u>		<u>\$179,366</u>

Some amounts reported for business-type activities in the statement of activities are different because internal service fund assets are included with business-type activities 29,039

Change in net assets business-type activities \$3,861,021

**City of Lorain, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2007

	Business-Type Activities			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$7,865,205	\$10,675,382	\$18,540,587	\$0
Cash Received from Transactions with Other Funds	0	0	0	6,509,776
Cash Payments for Goods and Services	(2,360,104)	(3,473,319)	(5,833,423)	(1,057,690)
Cash Payments for Employee Services and Benefits	(3,790,694)	(4,312,576)	(8,103,270)	(650,126)
Cash Payments for Claims	0	0	0	(4,693,675)
Other Operating Revenues	40,230	245,788	286,018	13,093
<i>Net Cash Provided by Operating Activities</i>	<u>1,754,637</u>	<u>3,135,275</u>	<u>4,889,912</u>	<u>121,378</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Advances In	640,000	0	640,000	0
Advances Out	(116,000)	(640,000)	(756,000)	(167,157)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>524,000</u>	<u>(640,000)</u>	<u>(116,000)</u>	<u>(167,157)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(952,952)	(17,406,729)	(18,359,681)	0
OWDA Loans Received	737,554	16,128,342	16,865,896	0
Inception of Capital Lease	0	318,287	318,287	0
Principal Paid on Bonds	(136,327)	(19,454)	(155,781)	(17,276)
Interest Paid on Bonds	(63,338)	(9,150)	(72,488)	(8,126)
Principal Paid on Revenue Bonds	(485,000)	(590,000)	(1,075,000)	0
Interest Paid on Revenue Bonds	(308,691)	(161,020)	(469,711)	0
Principal Paid on OWDA Loans	(381,205)	(1,089,047)	(1,470,252)	0
Interest Paid on OWDA Loans	(464,934)	(726,943)	(1,191,877)	0
Principal Paid on Capital Leases	0	(61,321)	(61,321)	0
Interest Paid on Capital Leases	0	(10,212)	(10,212)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,054,893)</u>	<u>(3,627,247)</u>	<u>(5,682,140)</u>	<u>(25,402)</u>
<b>Cash Flows from Investing Activities</b>				
Interest	49,630	60,595	110,225	0
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	273,374	(1,071,377)	(798,003)	(71,181)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,921,645</u>	<u>4,878,218</u>	<u>7,799,863</u>	<u>468,912</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$3,195,019</u>	<u>\$3,806,841</u>	<u>\$7,001,860</u>	<u>\$397,731</u>

(continued)



**City of Lorain, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2007

	Business-Type Activities			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$1,192,224	\$2,739,226	\$3,931,450	\$133,107
<i>Adjustments:</i>				
Depreciation	809,990	1,833,820	2,643,810	4,719
Extraordinary Items	0	(693,389)	(693,389)	0
 (Increase) Decrease in Assets:				
Accounts Receivable	(60,923)	(260,281)	(321,204)	0
Interfund Receivable	190	(488)	(298)	(963)
Intergovernmental Receivable	0	266,055	266,055	0
Materials and Supplies Inventory	(167,425)	(27,324)	(194,749)	(124,425)
Prepaid Items	(314)	(4,771)	(5,085)	0
Loans Receivable	0	(493,352)	(493,352)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(67,372)	268,990	201,618	19,037
Contracts Payable	0	(557,812)	(557,812)	0
Accrued Wages and Benefits	15,205	(4,094)	11,111	1,277
Claims Payable	0	0	0	125,624
Matured Compensated Absences Payable	0	(37,474)	(37,474)	0
Compensated Absences Payable	(35,576)	(13,419)	(48,995)	(28,374)
Interfund Payable	0	0	0	(8,800)
Intergovernmental Payable	39,213	34,830	74,043	176
Retainage Payable	29,425	84,758	114,183	0
 <i>Total Adjustments</i>	<u>562,413</u>	<u>396,049</u>	<u>958,462</u>	<u>(11,729)</u>
 <i>Net Cash Provided by Operating Activities</i>	<u>\$1,754,637</u>	<u>\$3,135,275</u>	<u>\$4,889,912</u>	<u>\$121,378</u>

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2007*

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$406,326</u>
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**Liabilities**

Deposits Held and Due to Others	<u>\$406,326</u>
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See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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**Note 1 – Description of City and Reporting Entity**

The City of Lorain is a statutory municipal corporation established and operated under the laws of the State of Ohio. The City began as an unincorporated village under the name of Charleston in 1834. It was incorporated as a village under the name of Lorain in 1874 and became a City in 1896. The City operates under a council-mayor form of government. Elected officials include eleven council members, a council president, and a mayor.

On October 17, 2002, the Auditor of State's office declared the City of Lorain to be in a state of "Fiscal Watch" in accordance with Section 118.022 of the Ohio Revised Code. This declaration was a result of a forecasted deficit in excess of 1/12 of the preceding year's general fund revenue. In response to this declaration, the City of Lorain contracted the Auditor of State's office to perform a performance audit to identify improvements that could be made in the City's operations. From this performance audit the City has implemented many of the suggestions to improve operations and cut costs. The Auditor of State's Local Government Services Division provides monthly monitoring of cash balances. The City is working to avoid the state of fiscal emergency. If the City's adjusted aggregate deficit fund balance reaches 1/6 of the General Fund budget and the receipts of those deficit funds, the Auditor of State has the authority to declare the City in a state of fiscal emergency, at which time a Financial Planning and Supervision Commission to oversee the operation of the City would be required to be established.

***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government includes the City departments and agencies that provide various services including planning, zoning, street construction, maintenance and repair, water and sewer services, municipal court services, and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and: (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or (3) the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in the Northeast Ohio Areawide Coordinating Agency, a jointly governed organization, the Lorain Port Authority, a related organization, and the Public Entity Risk Consortium (PERC), a shared risk pool. These organizations are presented in Notes 17, 18, and 19 respectively.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

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

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

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

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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***B. Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

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

***Community Development Special Revenue Fund*** This fund accounts for State and Federal grants designated for the acquisition of real property, administrative costs, public facilities, and the rehabilitation of real property.

***General Obligation Bond Retirement Fund*** This fund accounts for the accumulation of resources to pay principal and interest on general obligation debt.

***Capital Improvements Capital Projects Fund*** This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

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

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

***Water Works Fund*** This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

***Water Pollution Control Fund*** This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

***Internal Service Funds*** The internal service funds account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The City's internal

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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service funds account for the hospital/medical, prescription drug, vision, and dental benefits for City employees on a self-insured basis and accounts for maintenance costs for equipment and vehicles under a single purchasing unit to keep costs low.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds, which are used to collect and distribute deposits, inspection fees and bonds for developers, state fees and fines for entities outside the City and flexible benefits deposits.

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees and rentals.

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**E. Budgetary Data**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is the Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by Council. The legal level of budgetary control is at the object level within each department for all funds. Any budgetary modifications at this level may only be made by resolution of the City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect when the final appropriations were passed by City Council.

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

***F. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The capital improvements fund made an advance to the general fund to cover a deficit cash balance. The general fund has an interfund payable for the amount received from the capital improvements fund and the capital improvements fund has an interfund receivable for the same amount on the balance sheet.

The City has segregated bank accounts for monies held separate from the City's bank accounts. These interest-bearing deposit accounts are presented on the statement of net assets and balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. The cash of the Municipal Court is included in this line item. The balance presented on the statement of net assets and balance sheet as "cash and cash equivalents with fiscal agents" represents deposits for future debt service payments on Community Development urban redevelopment loans. The City entered into a trust agreement with a commercial bank to meet the requirements of the revenue bonds indenture agreements to service bonded debt as principal and interest come due and to meet reserve requirements. The balances of these accounts are presented on the statement of net assets and balance sheet as "cash and cash equivalents with trustees" and represent deposits or short-term investments in a mutual fund. The balance presented on the statement of net assets and balance sheet as "cash and cash equivalents with escrow agents" represents deposits in escrow for the purchase of capital assets through a lease/purchase agreement.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months, not purchased from the pool, are reported as investments.



**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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During 2007, investments were limited to repurchase agreements, mutual funds and STAROhio. Investments are reported at fair value, which is based on quoted market prices, with the exception of repurchase agreements, which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$542,278 which was assigned from other City funds.

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and homes purchased, repaired, and resold under the Community Development in-fill housing project.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

***I. Bond Premiums/ Issuance Costs***

On the government-wide statements and in the enterprise funds, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable whereas issuance costs are recorded as deferred charges on the statement of net assets. On the governmental fund statements bond premiums are receipted in the year the bonds are issued and bond issuance costs are expended when incurred.

***J. Gain/Loss on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, which ever is shorter.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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***K. Bond Discounts***

Bond discounts are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a decrease of the face amount of the bonds payable.

***L. Contributions of Capital***

Contributions of capital in the proprietary fund financial statements arise from the transfer of capital assets from the governmental activities resulting from construction of infrastructure (water and sewer lines) on urban renewal capital projects within the City. On the statement of activities a transfer is reflected to account for the contribution of the capital assets.

***M. Restricted Assets***

Amounts held in trust by the City and trustees that are legally restricted for use in paying current and future debt service on the water and sewer revenue bonds, and amounts held for operation, maintenance and replacement contingencies per the applicable bond covenants are reported as restricted assets.

***N. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars for capital assets other than infrastructure and one hundred thousand dollars for infrastructure capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements (including water and water pollution control facilities)	50 years
Machinery and Equipment	5 to 25 years
Vehicles	10 to 15 years
Infrastructure	30 to 60 years

The City's infrastructure consists of streets, sidewalks, storm sewers, bridges, water and sewer lines and includes infrastructure acquired prior to December 31, 1980.

***O. Interfund Balances***

On fund financial statements, outstanding interfund loans are reported as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***P. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund(s) from which the employees who have resigned or retired will be paid.

***Q. Accrued Liabilities and Long-Term Obligations***

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

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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***R. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore, are not available for appropriation or expenditure. Reserves have been established for encumbrances, loans receivable which represent revolving loan fund monies (community development block grant) loaned to local businesses, inventory held for resale, amounts held in reserve for future debt service requirements on the Community Development urban redevelopment loans, and unspent capital lease proceeds.

***S. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government-wide statement of net assets reports \$35,659,975 of restricted net assets, of which \$1,225,253 is restricted by enabling legislation.

Net assets restricted for other purposes include resources for law enforcement programs, street maintenance, health services, recreation, municipal court activities and police and fire pension payments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***T. Internal Activity***

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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***U. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater treatment, water services and self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the fund. All revenues and expenditures not meeting these definitions are reported as non-operating.

***V. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions of events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. In 2007 an extraordinary item is presented in the proprietary funds statement of revenues, expenses, and changes in fund net assets which reflect the costs associated with the total collapse of a recently installed new sewer line. The sewer line was part of a project that was completed and placed into service in June 2006. On December 1, 2006 the Old Lake Road portion of the line experienced a total collapse resulting in the complete shutdown of that section of the line. The water pollution control fund recorded \$693,389 in expenses in 2007 which included the cost of the repair and replacement of the section of line, the rental of pumps to evacuate the waste, and the cost of demolition and debris removal.

***W. Estimates***

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

**Note 3 – Change in Accounting Principles**

***A. Change in Accounting Principles***

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The implementation of this statement did not result in any change to the City’s financial statements. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$137,432 and \$180,633, respectively, which are the same as the previously reported liabilities.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the City's financial statements.

**Note 4 – Fund Deficits and Legal Compliance**

***A. Fund Deficits***

Fund balances at December 31, 2007 included the following individual fund balance deficits:

<u>Major Fund:</u>	<u>Deficit</u>
Capital Improvements	\$2,589,924
<u>Nonmajor Funds:</u>	
Special Revenue Fund:	
Health Services	21,698
Internal Service Fund:	
Hospitalization	269,693

The deficit in the capital improvements fund is a result of the issuance of short term notes. The deficit will be eliminated once bonds are issued and the notes are paid. The deficit in the health services special revenue and hospitalization internal service funds are due to accrued liabilities. The general fund is liable for any deficit and provides operating transfers when cash is required, rather than when accruals occur.

***B. Legal Compliance***

Contrary to Section 5705.41B, Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

<u>Major Funds:</u>	<u>Final</u> <u>Appropriations</u>	<u>Expenditures Plus</u> <u>Encumbrances</u>	<u>Excess</u>
<b>General Fund:</b>			
Civil Service			
Wages and Benefits	\$85,803	\$86,884	(\$1,081)
Council			
Wages and Benefits	284,943	285,287	(344)
Mayor			
Wages and Benefits	164,296	166,425	(2,129)
Auditor			
Wages and Benefits	491,202	496,414	(5,212)
Treasurer			
Wages and Benefits	480,529	484,995	(4,466)
Law Director			
Wages and Benefits	704,267	705,907	(1,640)
Clerk of Courts			
Wages and Benefits	821,305	825,329	(4,024)
Electrical			
Wages and Benefits	506,105	511,820	(5,715)
Safety/Service			
Wages and Benefits	435,252	436,906	(1,654)
Contractual Services	709,293	1,801,171	(1,091,878)
Engineering			
Wages and Benefits	758,829	767,051	(8,222)
Data Processing			
Wages and Benefits	187,360	194,869	(7,509)
Police Department			
Wages and Benefits	8,047,829	8,142,176	(94,347)
Materials and Supplies	515,409	529,763	(14,354)
Fire Department			
Wages and Benefits	7,273,668	7,374,923	(101,255)
Cemetery			
Wages and Benefits	212,293	214,503	(2,210)
Dog Warden			
Wages and Benefits	56,799	56,886	(87)
Materials and Supplies	13,000	13,070	(70)
Building Inspection			
Wages and Benefits	613,495	615,495	(2,000)
<b>Water Works:</b>			
Personal Services	3,785,377	3,792,125	(6,748)
Basic Utilities	653,500	661,188	(7,688)
<b>Water Pollution Control:</b>			
Personal Services	4,229,164	4,312,695	(83,531)
Basic Utilities	731,000	752,976	(21,976)
Capital Outlay	16,259,900	18,324,564	(2,064,664)
<b>Nonmajor Funds:</b>			
<b>Streets:</b>			
Wages and Benefits	1,361,626	1,377,387	(15,761)
Materials and Supplies	957,125	1,054,569	(97,444)
<b>Municipal Court Computer:</b>			
Wages and Benefits	65,231	65,427	(196)
<b>Municipal Court Probation:</b>			
Wages and Benefits	61,749	61,929	(180)
<b>Garage:</b>			
Wages and Benefits	621,332	629,300	(7,968)
<b>Hospitalization:</b>			
Wages and Benefits	21,761	21,809	(48)
Claims	4,452,622	4,700,100	(247,478)

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

Management has indicated that appropriations will be closely monitored to ensure no future violations occur. The City now requires as part of the revised written policy that the amount of each purchase order be compared to available appropriations prior to its release to the vendor.

The City had a negative cash balance in the following fund indicating that revenues from other sources were used to pay obligations of this fund contrary to Ohio Revised Code Section 5705.10:

<u>Major Fund:</u>	<u>Amount</u>
General	\$323,176

**Note 5 - Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and community development special revenue major fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the community development major special revenue fund.

**Net Change in Fund Balance**

	<u>General</u>	<u>Community Development</u>
GAAP Basis	\$71,645	\$149,670
Net Adjustment for Revenue Accruals	295,850	788,024
Loan Repayments	0	1,327,300
Advances In	283,157	0
Net Adjustment for Expenditure Accruals	(64,032)	(851,028)
Loans Issued	0	(1,792,560)
Notes Issued	0	80,000
Debt Interest and Fiscal Charges	3,641	1,253
Encumbrances	<u>(721,547)</u>	<u>(507,978)</u>
Budget Basis	<u>(\$131,286)</u>	<u>(\$805,319)</u>



**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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**Note 6 - Deposits and Investments**

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

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

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. Investments may only be made through specified dealers and institutions.

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year-end, \$6,660,680 of the City's bank balance of \$7,060,680 was uninsured and uncollateralized. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of the State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Investments***

The City's investments are categorized below to give an indication of the level of risk assumed by the City at calendar year end.

<u>Description</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than 1 Year</u>	<u>Credit Rating</u>
Repurchase Agreements	\$965,000	\$965,000	Aa2
Money Market Funds	5,189,234	5,189,234	AAAm
STAROhio	5,741,034	5,741,034	AAAm
Total Investments	<u>\$11,895,268</u>	<u>\$11,895,268</u>	

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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within one year from the date of purchase and that the City's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, on the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Credit Risk** The City's repurchase agreements are with JP Morgan Chase Bank, NA and the underlying securities have a credit rating of Aa2 as listed with Moody's Investors Service. The money market funds are invested with Blackrock US Treasury obligations and carries a rating of AAAM by Standard and Poor's. STAROhio also carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** The City's investment policy allows investments in Repurchase Agreements, Money Market Mutual Funds and STAROhio and allowable investments as defined by the Ohio Revised Code. The City does not limit the amount that can be invested in each type. The City has invested 8 percent of its investments in Repurchase Agreements, 44 percent in Money Market Mutual Funds, and 48 percent in STAROhio.

## **Note 7 - Receivables**

Receivables at December 31, 2007 consist primarily of municipal income taxes, property and other taxes, accounts (billings for utility services), special assessments, accrued interest on investments, community development and utilities department loans to businesses and property owners, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All of these receivables, with the exception of the community development and utilities department loans, are deemed collectible in full. Special assessments due in more than one year are \$467,692 and delinquent special assessments outstanding are \$391,118.

The City's community development loans receivable from businesses and property owners contain certain amounts for which the repayment, due to bankruptcies and/or defaults, has been estimated. The loans receivable balance of \$16,604,549 on the basic financial statements is stated net of estimated uncollectibles of \$136,133 with \$1,024,162 collectible in one year.

In April of 2002, the City entered into an installment loan agreement with Horizon Activities Center Inc. for the sale of real estate owned by the City, deemed no longer needed for public use, in the amount of \$250,000. The loan has a term of 20 years at 5.75 percent interest with monthly payments of \$1,755. Per the Ohio Revised Code, Section 5705.10, the proceeds from this sale are deposited in the general obligation bond retirement fund. At December 31, 2007 the fund has recorded a loan receivable balance of \$207,619 as a result of this transaction, with \$8,567 collectible in one year.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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The City's sewer department issued zero percent interest emergency loans to property owners in 2007 to provide some immediate relief to replace property damaged due to a major sewer line collapse. At December 31, 2007 the fund has recorded a loan receivable balance of \$493,352 as a result of these transactions, with \$24,968 collectible in one year.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which become a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2007, was \$4.96 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$922,070,240
Public Utility Property	62,526,510
Tangible Personal Property	<u>56,325,250</u>
Total Valuation	<u>\$1,040,922,000</u>

The Lorain County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lorain. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2007 and for which there is an

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified basis the revenue is deferred.

***B. Income Taxes***

The City levies a municipal income tax of two percent on substantially all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. One and three-quarter percent (1.75 percent) is levied for general purposes and one quarter percent (0.25 percent) is restricted for the police levy fund. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Residents that work outside the City are credited with 100 percent of the taxes paid to another City up to a maximum of 2 percent (the City's current tax rate) of gross wages.

***C. Intergovernmental Receivables***

A summary of the governmental and business-type activities principal items of intergovernmental receivables follows:

	<b>Amount</b>
<u>Governmental Activities:</u>	
Local Government	\$2,727,806
Grants	5,513,562
Gasoline Tax	971,191
Homestead and Rollback	253,500
Estate Tax	214,166
Motor Vehicle Tax	36,112
Permissive Tax	23,676
Liquor and Beer Tax	15,512
Other Taxes	<u>15</u>
Total Governmental Activities	9,755,540
 <u>Business-Type Activities:</u>	
Utility Charges	<u>70,954</u>
Total	<u><u>\$9,826,494</u></u>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

**Note 8 - Capital Assets**

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance 12/31/06	Additions	Deletions	Balance 12/31/07
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$8,372,342	\$1,107,296	\$0	\$9,479,638
Construction in Progress	17,818,205	3,286,805	(13,909,247)	7,195,763
<i>Total Capital Assets, Not Being Depreciated</i>	<u>26,190,547</u>	<u>4,394,101</u>	<u>(13,909,247)</u>	<u>16,675,401</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	15,065,985	6,034,916	(25,955)	21,074,946
Machinery and Equipment	15,728,077	3,321,611	(2,959,466)	16,090,222
Furniture and Fixtures	103,833	0	0	103,833
Infrastructure:				
Streets and Sidewalks	996,544,127	6,018,316	0	1,002,562,443
<i>Total Capital Assets, Being Depreciated</i>	<u>1,027,442,022</u>	<u>15,374,843</u>	<u>(2,985,421)</u>	<u>1,039,831,444</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(6,107,521)	(398,364)	20,298	(6,485,587)
Machinery and Equipment	(6,192,601)	(786,001)	459,835	(6,518,767)
Furniture and Fixtures	(44,753)	(5,191)	0	(49,944)
Infrastructure:				
Streets and Sidewalks	(889,208,166)	(15,268,295)	0	(904,476,461)
<i>Total Accumulated Depreciation</i>	<u>(901,553,041)</u>	<u>(16,457,851) *</u>	<u>480,133</u>	<u>(917,530,759)</u>
Total Capital Assets, Being Depreciated, Net	<u>125,888,981</u>	<u>(1,083,008)</u>	<u>(2,505,288)</u>	<u>122,300,685</u>
Governmental Activities Capital Assets, Net	<u>\$152,079,528</u>	<u>\$3,311,093</u>	<u>(\$16,414,535)</u>	<u>\$138,976,086</u>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

	Balance 12/31/06	Additions	Deletions	Balance 12/31/07
<b>Business-type Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$617,876	\$0	\$0	\$617,876
Construction in Progress	5,472,709	17,784,894	(2,580,448)	20,677,155
<i>Total Capital Assets, Not Being Depreciated</i>	<u>6,090,585</u>	<u>17,784,894</u>	<u>(2,580,448)</u>	<u>21,295,031</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	49,805,800	663,315	0	50,469,115
Machinery and Equipment	19,812,830	1,063,866	(289,347)	20,587,349
Infrastructure:				
Water Lines	25,713,769	975,624	0	26,689,393
Sewer Lines	54,850,597	2,797,825	0	57,648,422
<i>Total Capital Assets, Being Depreciated</i>	<u>150,182,996</u>	<u>5,500,630</u>	<u>(289,347)</u>	<u>155,394,279</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(23,831,475)	(1,013,521)	0	(24,844,996)
Machinery and Equipment	(17,147,490)	(210,499)	271,183	(17,086,806)
Infrastructure:				
Water Lines	(10,395,876)	(435,903)	0	(10,831,779)
Sewer Lines	(27,549,683)	(983,887)	0	(28,533,570)
<i>Total Accumulated Depreciation</i>	<u>(78,924,524)</u>	<u>(2,643,810)</u>	<u>271,183</u>	<u>(81,297,151)</u>
Total Capital Assets, Being Depreciated, Net	<u>71,258,472</u>	<u>2,856,820</u>	<u>(18,164)</u>	<u>74,097,128</u>
Business-type Activities Capital Assets, Net	<u>\$77,349,057</u>	<u>\$20,641,714</u>	<u>(\$2,598,612)</u>	<u>\$95,392,159</u>

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

General Government	\$4,019,961
Security of Persons and Property	415,532
Transportation	11,661,427
Public Health	32,060
Community Environment	3,177
Economic Development	62,145
Leisure Time Activities	263,549
Total Depreciation Expense	<u>\$16,457,851</u>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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**Note 9 - Risk Management**

***A. Property and Liability***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participated in the Public Entity Risk Consortium (PERC), a shared risk pool (note 19) for all City real and personal property, comprehensive general liability including law enforcement liability, blanket crime coverage and public official's liability insurance. Arthur J. Gallagher & Company is the administrator. PERC is a shared risk joint self-insurance pool restricted to mid-size public entities. Lexington Insurance Company covers up to \$250,000,000 per occurrence for real and personal property subject to a \$250,000 self-insured retention with the exception of a \$5,000 retention in respect to automobile physical damage. The Underwriters at Lloyd's, London provides \$2,000,000 per occurrence limit each for General Liability, Law Enforcement Liability and Public Official's Liability. These liability policies each have a \$50,000 self-insured retention. A \$8,000,000 Excess Liability policy is provided over all liability policies by Illinois Union Insurance Company. The City also carries a comprehensive Boiler and Machinery policy by the Travelers Property Casualty Company of America on all City buildings with the property damage limits of \$50,000,000 subject to a \$1,000 deductible. Gallagher Bassett Services, Inc. is the administrator for the City. A summary of coverage and limits provided through the pool is as follows:

<u>Type of Coverage</u>	<u>Limits of Coverage</u>
Property including Auto Physical Damage	\$135,245,000
Liability:	10,000,000
General Liability	
Law Enforcement Liability	
Automobile Liability	
Public Officials Errors & Omissions	
Crime:	
Employee Dishonesty	500,000
Depositors Forgery	50,000
Money & Securities	50,000
Boiler & Machinery	50,000,000

Claims have not exceeded coverage in any of the last three years and there were no significant reductions in commercial coverage in any of the past three years.



**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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***B. Workers' Compensation***

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

***C. Health Insurance Benefits***

The City manages the hospital/medical, prescription drug, vision, and dental benefits for its employees on a self-insured basis through the hospitalization self insurance internal service fund. Payments to the fund are made from the fund from which each employee is paid. Rates for 2007 were \$690 per month for single and family coverage until July 21, 2007 when rates were raised to \$875 per month. Rates were again raised for the month of December 2007 to \$1,175. Employees covered under separate ordinances for non-bargaining, management, United Steelworkers Local 6621, Police, Dispatchers and elected officials paid \$40 for family coverage and \$20 for single coverage per month. The Fire bargaining unit employees are required to pay \$50 for family coverage and \$25 for single coverage per month for health insurance coverage. The Plan Administrator for the City determines these rates. Medical Mutual of Ohio, the third party administrator, processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$100,000 per employee and an aggregate of \$3,056,128 per year. The \$100,000 specific threshold was exceeded by \$313,310. The City received an invoice credit for the excess. The aggregate was not exceeded.

The claims liability of \$645,036 reported in the fund at December 31, 2007 was estimated by the third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expense and does not include other allocated claim adjustment expenses. Changes in the fund's claims liability amount for 2006 and 2007 were:

	<u>Beginning of Year</u>	<u>Year Claims</u>	<u>Claim Payments</u>	<u>End of Year</u>
2006	\$339,147	\$4,258,779	\$4,078,514	\$519,412
2007	519,412	4,819,299	4,693,675	645,036

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

**Note 10 – Note Debt**

A summary of note transactions for the year ended December 31, 2007 follows:

<b>GOVERNMENTAL FUNDS</b>	Balance 12/31/06	Additions	Deletions	Balance 12/31/07
2006, 4.50% Real Estate Acquisition and Street Improvement	\$5,900,000	\$0	\$5,900,000	\$0
2007, 4.625% Real Estate Acquisition and Street Improvement	0	4,835,000	0	4,835,000
2007, 4.25% Jaeger Road Improvement	0	550,000	0	550,000
<b>Total Governmental Funds</b>	<u>\$5,900,000</u>	<u>\$5,385,000</u>	<u>\$5,900,000</u>	<u>\$5,385,000</u>

The notes are backed by the full faith and credit of the City of Lorain and mature within one year. The maturity date for all outstanding notes is October 2, 2008. The note liability is reflected in the Community Development special revenue and Capital Improvements funds, which received the proceeds. All note proceeds have been fully expended with the exception of \$455,847 of the Jaeger Road Improvement note. The real estate acquisition and street improvement notes will be paid from the general obligation bond retirement debt service fund as it is reissued and then from bonds upon the completion of the projects.

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are limitations on the number of times a note can be renewed. All notes outstanding at year-end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it to be advantageous to issue bonds.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

**Note 11 – Long-Term Obligations**

The original issue date, interest rate, original issue amount and date of maturity of each of the City’s bonds, notes and loans follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
1988 Street Improvement (G.O.Portion)	7.50 %	\$255,563	December 1, 2008
1989 Various Purpose Improvements	6.50-7.875	2,000,000	December 1, 2009
1995 Various Purposes - (G.O. Portion)	3.90-5.65	3,259,890	December 1, 2015
1998 Capital Purposes	3.80-5.00	3,680,000	December 1, 2018
1999 Accrued Pension Fund Liability	3.50-5.375	2,070,000	December 1, 2024
2000 Riverfront Urban Renewal Phase I	4.55-5.70	4,850,000	December 1, 2028
2002 Safety/Service Action Plan	3.00-5.50	8,905,000	December 1, 2026
2003 Riverfront Urban Renewal Phase II & III	2.40-4.75	4,470,000	December 1, 2032
2003 Park and Street Improvements (G.O. Portion)	2.00-5.00	1,200,500	December 1, 2023
2005 Energy Conservation	4.35	2,499,223	December 1, 2015
2006 Lighthouse Urban Renewal Phase I	4.10-5.00	1,510,000	December 1, 2026
2007 Riverfront Urban Renewal Refunding	4.00-4.30	4,970,000	December 1, 2028
2007A Colorado Avenue	4.00-4.125	505,000	December 1, 2027
2007A US Route 6	4.00-4.125	775,000	December 1, 2022
2007B Heritage Urban Renewal	4.00-4.20	1,315,000	December 1, 2028
<i>Special Assessment Bonds with Government Commitment:</i>			
1988 Street Improvement	7.50	1,469,437	December 1, 2008
2003 Park and Street Improvements	2.00-5.00	574,500	December 1, 2023
<i>HUD Section 108 Loans:</i>			
Community Development - Series 2002-A (B-92-MC-39-0016)	4.64-7.90	100,000	August 1, 2012
Head Start - Series 2002-A (B-92-MC-39-0016-A)	4.64-7.90	1,100,000	August 1, 2012
Head Start - Series 2000-A (B-99-MC-0016)	7.50-8.00	2,375,000	August 1, 2019
Colorado Industrial Park - Series 2002-A (B-99-MC-0016)	4.40-6.00	2,000,000	August 1, 2021
Land Aquisition - Series 2004-A (B-03-MC-39-0016)	3.50-6.00	2,200,000	August 1, 2024
<i>Ohio Department of Development Urban Redevelopment Loans:</i>			
Riverbend Commerce Park	0.00-3.00	1,240,041	August 1, 2021
<i>Ohio Public Works Commission Loans:</i>			
1997 Local Roadway Rehab (#CI04A)	0.00	18,040	January 1, 2014
1999 Local Roadway Rehab (#CI13C)	0.00	17,409	July 1, 2011
Oak Point Road Improvements (#CI002)	0.00	405,776	January 1, 2021
Longbrook Bridge Replacement (#CI01D)	0.00	250,000	July 1, 2021
California Avenue (#CI31D)	0.00	483,645	January 1, 2022
Jaeger Road (#CI40E)	0.00	259,191	January 1, 2013
2002 Local Roadway Rehab (#CI22F)	0.00	236,844	July 1, 2014
Fulmer/Meister Road Improvements (#CI48G)	0.00	412,449	January 1, 2015
2003 Local Roadway Rehab (#CI22G)	0.00	102,000	January 1, 2015
2004 Local Roadway Rehab (#CI33H)	0.00	123,575	January 1, 2016
E. 36th Street Rehab Phase I (#CI29I)	0.00	463,749	January 1, 2017

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Ohio Department of Transportation State Infrastructure Bank Loans:</i>			
E. 36th Street Rehab Phase I	3.00 %	\$139,939	January 18, 2011
State Route 57 Reconstruction	3.00	842,492	July 18, 2010
E. 36th Street Rehab Phase II	3.00	51,833	July 18, 2014
Local Roadway Rehab (#SB080001 2007)	3.00	27,850	July 18, 2017
<i>Installment Loans:</i>			
Campana Park Baseball Field Construction	0.00	200,000	February 15, 2011
Fire Station Improvements	4.20	50,000	November 30, 2014
<i>Enterprise General Obligation Bonds:</i>			
1995 Various Purpose - (Water Fund portion)	3.90-5.65	2,405,110	December 1, 2013
Energy Conservation Bond-Water	4.35	73,816	December 1, 2015
Energy Conservation Bond-WPC	4.35	226,961	December 1, 2015
<i>Enterprise Revenue Bonds:</i>			
1995 Water System Revenue	3.95-5.25	10,000,000	December 1, 2016
1995 Sewer System Refunding Revenue	3.80-5.60	8,035,000	December 1, 2011
<i>Ohio Water Development Authority Loans:</i>			
1978 SE Sewer Intercept (#1001)	6.25	2,856,352	July 1, 2011
2000 East Erie Waterlines (#2037)	5.50	2,211,916	January 1, 2020
2000 E. 28th St./Pearl Ave. Relief Sewer, Pump Station (#2321)	2.91	1,137,701	July 1, 2020
2001 Colorado Ave./Root Rd. Waterline Replacement (#3188)	6.12	449,287	January 1, 2021
2001 Colorado/Root/E. Erie Waterline Replacement (#3253)	4.38	2,712,348	January 1, 2021
2001 Westside Waterline Replacement (#3284)	4.64	2,425,073	July 1, 2021
2001 Tacoma Avenue Relief Sewer (#2322)	2.81	4,860,364	January 1, 2021
2001 Idaho Avenue SSO Elimination (#3268)	3.66	9,744,494	July 1, 2021
2003 4W Waterline Replacement (Various locations) (#3814)	4.90	3,585,574	July 1, 2034
2004 Kay Drive Retention Basin (#4150)	3.81	2,295,633	January 1, 2023
2004 Amherst Township Relief Sewer (#4151)	3.81	898,208	January 1, 2022
2004 Pearl Road & Tacoma Pump Station (#4156)	3.81	1,282,116	July 1, 2023
2006 East Central Relief Sewer (#4548)	4.59	3,181,215	July 1, 2024
2006 Westside Relief Sewer (#4586)	3.24	14,552,323	January 1, 2021
2007 Brownell Avenue Waterline (#4775)	4.47	737,554	January 1, 2027

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

Changes in bonds and other long-term obligations of the City during 2007 were as follows:

	Principal Outstanding 12/31/06	Additions	Deletions	Principal Outstanding 12/31/07	Due Within One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds:</i>					
Street Improvement	\$26,667	\$0	\$13,333	\$13,334	\$13,334
Various Purpose Improvements	300,000	0	100,000	200,000	100,000
Various Purposes	1,485,000	0	175,000	1,310,000	180,000
Capital Purposes	1,200,000	0	320,000	880,000	330,000
Accrued Pension Fund Liability	1,685,000	0	60,000	1,625,000	60,000
Riverfront Urban Renewal Phase I	4,440,000	0	4,440,000	0	0
Safety/Service Action Plan	7,700,000	0	330,000	7,370,000	335,000
Riverfront Urban Renewal Phase II & III	4,470,000	0	0	4,470,000	0
Park and Street Improvements	1,068,614	0	43,962	1,024,652	47,344
Energy Conservation	2,316,244	0	214,219	2,102,025	223,145
Lighthouse Urban Renewal Phase I	1,510,000	0	0	1,510,000	0
2007 Riverfront Urban Renewal Refunding	0	4,970,000	40,000	4,930,000	60,000
Unamortized Discount	0	(46,857)	(1,350)	(45,507)	0
Deferred Loss on Refunding	0	(275,431)	(7,713)	(267,718)	0
2007A Colorado Avenue	0	505,000	0	505,000	15,000
2007A US Route 6	0	775,000	0	775,000	35,000
2007B Heritage Urban Renewal	0	1,315,000	0	1,315,000	0
Unamortized Discount	0	(5,619)	(66)	(5,553)	0
Unamortized Premium	20,681	1,072	1,194	20,559	0
<b>Total General Obligation Bonds</b>	<b>26,222,206</b>	<b>7,238,165</b>	<b>5,728,579</b>	<b>27,731,792</b>	<b>1,398,823</b>
<i>Special Assessment Bonds with Government Commitment:</i>					
Street Improvement	153,333	0	76,667	76,666	76,666
Park and Street Improvements	511,386	0	21,038	490,348	22,656
<b>Total Special Assessment Bonds</b>	<b>664,719</b>	<b>0</b>	<b>97,705</b>	<b>567,014</b>	<b>99,322</b>
<i>HUD Section 108 Loans</i>					
Community Development	1,500,000	0	125,000	1,375,000	125,000
Head Start	60,000	0	10,000	50,000	10,000
Head Start	660,000	0	110,000	550,000	110,000
Colorado Instrustrial Park	1,625,000	0	125,000	1,500,000	125,000
Land Acquisition	2,055,000	0	75,000	1,980,000	80,000
<b>Total HUD Section 108 Loans</b>	<b>5,900,000</b>	<b>0</b>	<b>445,000</b>	<b>5,455,000</b>	<b>450,000</b>
<i>Other Obligations</i>					
ODOD Urban Redevelopment Loans	1,240,041	0	0	1,240,041	0
OPWC Loans	2,159,087	149,457	219,695	2,088,849	234,154
ODOT State Infrastructure Bank Loans	953,999	108,115	0	1,062,114	272,511
Installment Loans	0	250,000	0	250,000	56,284
Capital Leases	1,793,667	1,425,000	386,106	2,832,561	467,740
Compensated Absences	6,126,437	849,567	596,006	6,379,998	1,184,104
<b>Total Governmental Activities</b>	<b>\$45,060,156</b>	<b>\$10,020,304</b>	<b>\$7,473,091</b>	<b>\$47,607,369</b>	<b>\$4,162,938</b>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

	Principal Outstanding 12/31/06	Additions	Deletions	Principal Outstanding 12/31/07	Due Within One Year
<b>Business-Type Activities</b>					
<i>General Obligation Bonds:</i>					
Various Purpose - Water	\$1,085,000	\$0	\$130,000	\$955,000	\$140,000
Energy Conservation - Water	68,412	0	6,327	62,085	6,591
Energy Conservation - Sewer	210,344	0	19,454	190,890	20,264
<i>Total General Obligation Bonds</i>	<u>1,363,756</u>	<u>0</u>	<u>155,781</u>	<u>1,207,975</u>	<u>166,855</u>
<i>Revenue Bonds:</i>					
Water System Revenue	6,205,000	0	485,000	5,720,000	510,000
Unamortized Discount	(70,640)	7,632		(63,008)	0
Sewer System Refunding Revenue	3,260,000	0	590,000	2,670,000	620,000
Unamortized Discount	(10,924)	2,570	0	(8,354)	0
Deferred Loss on Refunding	(235,974)	55,495	0	(180,479)	0
<i>Total Revenue Bonds</i>	<u>9,147,462</u>	<u>65,697</u>	<u>1,075,000</u>	<u>8,138,159</u>	<u>1,130,000</u>
<i>Ohio Water Development</i>					
<i>Authority Loans:</i>					
SE Sewer Intercept	749,515	0	149,006	600,509	158,319
East Erie Waterlines	1,687,495	0	92,280	1,595,215	97,355
E. 28th St./Pearl Ave. Relief Sewer	837,209	0	51,446	785,763	52,953
Colorado Ave./Root Rd. Waterline	365,652	0	17,128	348,524	18,194
Colorado/Root/E. Erie Waterline	2,128,275	0	112,976	2,015,299	117,979
Westside Waterline Replacement	1,961,951	0	97,491	1,864,460	102,067
Tacoma Avenue Relief Sewer	3,675,020	0	217,578	3,457,442	223,735
Idaho Avenue SSO Elimination	7,725,508	0	412,351	7,313,157	427,581
4W Waterline Replacement	3,444,629	0	61,330	3,383,299	64,372
Kay Drive Retention Basin	2,063,196	0	99,292	1,963,904	103,111
Amherst Township Relief Sewer	802,836	0	40,741	762,095	42,308
Pearl Road & Tacoma Pump Station	1,179,303	0	54,390	1,124,913	56,483
East Central Relief Sewer	1,254,801	1,926,414	64,243	3,116,972	132,944
Westside Relief Sewer	350,395	14,201,928	0	14,552,323	384,882
Brownell Avenue Waterline	0	737,554	0	737,554	24,693
<i>Total Ohio Water Development</i>					
<i>Authority Loans</i>	<u>28,225,785</u>	<u>16,865,896</u>	<u>1,470,252</u>	<u>43,621,429</u>	<u>2,006,976</u>
Capital Leases	0	318,287	61,321	256,966	48,602
Compensated Absences	1,308,685	86,750	135,745	1,259,690	140,187
<i>Total Business-Type Activities</i>	<u>\$40,045,688</u>	<u>\$17,336,630</u>	<u>\$2,898,099</u>	<u>\$54,484,219</u>	<u>\$3,492,620</u>

General obligation bonds will be paid from the general bond retirement debt service fund, and the police levy, police pension, and fire pension special revenue funds. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The HUD Section 108 and Ohio Department of Development loans for economic development projects are paid from the community development special revenue fund from loan repayment revenues.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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**Refunding Bonds**

On May 24, 2007, the City issued \$4,970,000 in general obligation refunding bonds at interest rates varying from 4.0 percent to 4.3 percent. The bond issue included serial and term bonds. Proceeds were used to refund \$4,440,000 of the outstanding 2000 Riverfront Urban Renewal Phase I bonds.

The bonds were sold at a discount of \$46,857. Proceeds of \$4,715,431 (after underwriting fees and other insurance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2000 Riverfront Urban Renewal Phase I bonds. As a result, \$4,440,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the basic financial statements. On December 31, 2007, \$4,330,000 of the defeased bonds are outstanding.

The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$275,431. This difference, reported as a deduction from bonds payable, is being charged to interest through fiscal year 2028. The City completed the refunding to reduce its total debt service payments over the next 22 years by \$70,219 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$216,651.

The serial bonds for the general obligation refunding bonds were issued for a 22 year period with a final maturity at December 1, 2028. The bonds are being retired from the general obligation bond retirement fund.

Optional Redemption The serial bonds maturing on and after December 1, 2017 are subject to prior redemption, by and at the sole option of the City, either in whole on any date or in part (in any order of maturity) on any interest payment date on or after June 1, 2017, in integral multiples of \$5,000, at the redemption price of 100 percent of the principal amount redeemed plus, in each case, accrued interest to the redemption date.

Mandatory Sinking Fund Redemption The term bonds maturing on December 1, 2026 are subject to mandatory redemption, pursuant to mandatory sinking fund requirements, at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, on December 1 in the year and in the principal amount set forth below:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2025	\$320,000

If retired only by such mandatory redemption prior to their stated maturity, there would remain \$335,000 in principal amount of the bonds maturing on December 1, 2026 to be paid at maturity.

The term bonds maturing on December 1, 2028 are subject to mandatory redemption, pursuant to mandatory sinking fund requirements, at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, on December 1 in the year and in the principal amount set forth below:

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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Year	Principal Amount to be Redeemed
2027	\$350,000

If retired only by such mandatory redemption prior to their stated maturity, there would remain \$360,000 in principal amount of the bonds maturing on December 1, 2028 to be paid at maturity.

*Selection of Bonds to be Redeemed* If fewer than all of the outstanding bonds are called for redemption at one time, they may be called in any order of their maturities, and, if fewer than all of the bonds of a single maturity are to be redeemed, the selection of such bonds to be redeemed, or portions thereof in the amounts of \$5,000 or any integral multiple thereof, will be made by the bond registrar by lot in such manner as the bond registrar may determine.

OPWC and ODOT State Infrastructure Bank loans will be paid from the general obligation bond retirement debt service fund.

The City has pledged a portion of future motor vehicle gas tax revenues to repay \$1,062,114 in ODOT State infrastructure bank loans issued in 2006 and 2007, to finance the reconstruction and repair of local roadways. These loans are payable solely from the motor vehicle gas tax revenue and were projected to use approximately 29 percent of the available gas tax revenue over the life of the loans. Total principal and interest remaining on the loans is \$1,122,386, payable through 2017. There was no payment due for the current year and total gas tax revenues were \$1,255,685.

Installment loans will be paid from the general fund.

Capital leases will be paid from the general fund, the street construction special revenue fund, the general bond retirement debt service fund, and the general sewer capital improvements fund.

Compensated absences will be paid from the general fund, the community development, streets, health services, police levy, municipal court computer and municipal court probation special revenue funds, and the water works and water pollution control enterprise funds, the fund from which the employees' salaries are paid.

The revenue and general obligation bonds for water improvements and the OWDA water facility loans will be paid from water user charges. The revenue refunding and general obligation bonds for sewer improvements, OWDA sewer facility loans and the capital lease for sewer cleaning equipment will be paid from sewer user charges.

The seventeen-year sewer system revenue refunding bonds, Series 1995, were issued for \$8,035,000 on October 1, 1995 at an average interest rate of 4.5 percent for the purpose of advance refunding \$9,420,000 of outstanding sewer system mortgage revenue refunding bonds, Series 1988. These bonds were issued at a discount of \$39,679. As of December 31, 2007, \$3,645,000 of the defeased debt was outstanding.

The sewer system revenue refunding, Series 1995, bonds mature annually on April 1. The Series 1995 bonds maturing on or after April 1, 2006 are subject to prior redemption, by and at the sole option of the City, either in whole on any date or in part on any interest payment date on or after April 1, 2005, in integral multiples of



**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

\$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date shown below:

<b>Redemption Dates (Dates Inclusive)</b>	<b>Redemption Prices</b>
April 1, 2005 through March 31, 2006	102 %
April 1, 2006 through March 31, 2007	101
April 1, 2007 and thereafter	100

In conjunction with the issuance of the sewer system revenue refunding bonds and the requirements of the indenture agreement, the City entered into a trust agreement with a commercial bank. The trust agreement requires that the City establish various funds for the construction, replacement, and repayment of debt relating to the advance refunding of the City's outstanding sewer system mortgage revenue refunding bonds, Series 1995. The restricted assets balance in the water pollution fund segregates funds held by the trustees in accordance with the trust agreement. Restricted assets relating to the refunding bonds consisted of the following at December 31, 2007:

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,496,831
Restricted assets held by the City	
Utility Reserve Fund	971,815
Replacement and Improvement Fund	150,000

The sewer system refunding bonds, Series 1995 had a balance at December 31, 2007 of \$2,661,646 net of the unamortized discount. The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$856,910. This difference, reported as a deduction from bonds payable, is being charged to interest through fiscal year 2011.

The City has pledged future revenues to repay revenue bonds and OWDA loans in the sewer fund. The debt is payable solely from net revenues and is payable through 2028. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds are expected to require less than 56 percent of net revenues and less than 23 percent of total revenues. The total principal and interest remaining to be paid on the bonds and loans is \$59,982,468. Principal and interest payments for the current year were \$2,567,010, net revenues were \$4,573,046, and total revenues were \$10,915,240.

The water system revenue bonds, Series 1995, bonds maturing on or after April 1, 2006 are subject to prior redemption, by and at the sole option of the City, either in whole on any date or in part on any interest payment date on or after April 1, 2005, in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date shown below:

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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<b>Redemption Dates (Dates Inclusive)</b>	<b>Redemption Prices</b>
April 1, 2005 through March 31, 2006	102 %
April 1, 2006 through March 31, 2007	101
April 1, 2007 and thereafter	100

In conjunction with the issuance of the water revenue bonds and the requirements of the indenture agreement, the City entered into a trust agreement with a commercial bank. The trust agreement requires that the City establish various funds for the construction, replacement, and repayment of debt relating to the construction and improvement of the water system. The restricted assets balance in the water fund segregates funds held by the trustees in accordance with the trust agreement. Restricted assets relating to the revenue bonds consisted of the following at December 31, 2007:

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,276,306
Restricted assets held by the City	
Utility Reserve Fund	333,929
Replacement and Improvement Fund	150,000

The water revenue bonds, Series 1995, had a balance at December 31, 2007 of \$5,656,992 net of the unamortized discount.

The City has pledged future revenues to repay revenue bonds and OWDA loans in the water fund. The debt is payable solely from net revenues and is payable through 2034. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds are expected to require less than 82 percent of net revenues and less than 21 percent of total revenues. The total principal and interest remaining to be paid on the bonds and loans is \$22,348,765. Principal and interest payments for the current year were \$1,639,830, net revenues were \$2,002,214, and total revenues were \$7,966,168.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

The City's overall legal debt margin was \$70,990,316 at December 31, 2007. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

**Governmental Activities:**

Years	General Obligation Bonds		Special Assessment Bonds		HUD Section 108 Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$1,398,823	\$1,287,960	\$99,322	\$28,022	\$450,000	\$322,272
2009	1,338,877	1,206,093	22,656	21,592	455,000	299,857
2010	1,326,185	1,145,383	24,275	20,845	455,000	276,334
2011	1,370,111	1,088,229	24,275	19,959	460,000	251,698
2012	1,546,881	1,029,276	25,893	18,988	465,000	226,132
2013-2017	7,374,080	4,110,791	145,648	77,158	1,568,000	803,337
2018-2022	6,187,131	2,585,168	182,869	38,936	1,267,000	305,183
2023-2027	5,702,923	1,121,623	42,076	2,103	335,000	30,285
2028-2032	1,785,000	203,847	0	0	0	0
2033-2036	0	0	0	0	0	0
<b>Total</b>	<b>\$28,030,011</b>	<b>\$13,778,370</b>	<b>\$567,014</b>	<b>\$227,603</b>	<b>\$5,455,000</b>	<b>\$2,515,098</b>

Years	ODOD Urban Redevelopment Loan		OPWC Loans	ODOT State Infrastructure Bank Loans		Installment Loans		Total Governmental Activities	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$0	\$0	\$234,154	\$272,511	\$23,246	\$56,284	\$2,035	\$2,511,094	\$1,663,535
2009	0	0	234,155	326,012	18,871	56,551	1,768	2,433,251	1,548,181
2010	0	0	234,155	348,754	11,312	56,828	1,490	2,445,197	1,455,364
2011	26,698	9,300	233,284	61,319	2,989	57,118	1,200	2,232,805	1,373,375
2012	108,811	35,184	232,414	13,679	1,504	7,420	898	2,400,098	1,311,982
2013-2017	595,620	124,351	719,342	39,839	2,351	7,735	583	10,450,264	5,118,571
2018-2022	508,912	31,067	201,345	0	0	8,064	255	8,355,321	2,960,609
2023-2027	0	0	0	0	0	0	0	6,079,999	1,154,011
2028-2032	0	0	0	0	0	0	0	1,785,000	203,847
<b>Total</b>	<b>\$1,240,041</b>	<b>\$199,902</b>	<b>\$2,088,849</b>	<b>\$1,062,114</b>	<b>\$60,273</b>	<b>\$250,000</b>	<b>\$8,229</b>	<b>\$38,693,029</b>	<b>\$16,789,475</b>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

***Business-Type Activities:***

Years	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2008	\$166,855	\$64,542	\$1,130,000	\$413,060
2009	173,466	55,884	1,190,000	352,298
2010	184,541	46,454	1,245,000	287,311
2011	195,615	36,411	1,320,000	218,020
2012	202,226	25,757	630,000	165,880
2013-2017	285,272	19,445	2,875,000	308,490
2018-2022	0	0	0	0
2023-2027	0	0	0	0
2028-2032	0	0	0	0
2033-2036	0	0	0	0
<b>Total</b>	<b>\$1,207,975</b>	<b>\$248,493</b>	<b>\$8,390,000</b>	<b>\$1,745,059</b>

Years	OWDA Loans		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$1,464,457	\$1,038,449	\$2,761,312	\$1,516,051
2009	1,525,489	977,417	2,888,955	1,385,599
2010	1,589,224	913,682	3,018,765	1,247,447
2011	1,561,143	843,838	3,076,758	1,098,269
2012	1,523,559	783,496	2,355,785	975,133
2013-2017	8,569,144	2,966,132	11,729,416	3,294,067
2018-2022	6,976,398	1,210,319	6,976,398	1,210,319
2023-2027	741,432	416,066	741,432	416,066
2028-2032	935,866	211,010	935,866	211,010
2033-2036	327,868	16,195	327,868	16,195
<b>Total</b>	<b>\$25,214,580</b>	<b>\$9,376,604</b>	<b>\$34,812,555</b>	<b>\$11,370,156</b>

The City has entered into contractual agreements for construction loans from the Ohio Water Development Authority (OWDA). Under the terms of these agreements, the OWDA will reimburse, advance or directly pay the construction costs of approved projects. The OWDA will capitalize administrative costs and construction interest and then add them to the total amount of the final loan. These loans will not have an accurate repayment schedule until the loans are finalized and, therefore, are not included in the schedule of future annual debt service requirements. The balance of these loans are as follows:

<b>Enterprise Funds</b>	
Water Works	\$737,554
Water Pollution Control	17,669,295
<b>Total</b>	<b>\$18,406,849</b>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

**Note 12 - Capital Leases**

During 2007, the City entered into leases for the acquisition of Street Department equipment, an IP phone system and software for the City and a high pressure jet truck and TV truck for the Water Pollution Control Department. In prior years, the City entered into leases for the acquisition of equipment, for police cruisers and a sewer cleaner. The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, "Accounting for Leases". Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

As part of the agreement for the lease of the street equipment, Fifth Third Bank, the lessor, deposited \$900,000 in an escrow account in 2007 so that the City could obtain the equipment from various vendors. \$433,409 was paid to the vendors in 2007 and the balance of \$466,591 will be paid to the vendors in 2008 at the direction of the City upon receipt of the equipment. In addition, as part of the agreement for the lease of the IP phone system, Key Bank, the lessor, deposited \$525,000 in an escrow account in 2007 so the City could pay the vendor based on the percentage of completion of the project. The entire balance of \$525,000 will be paid to the vendor in 2008. At year-end, capital assets that have been received have been recorded for these capital leases.

Capital assets acquired by leases have been capitalized and depreciated as follows:

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
<i>Capital Assets, Being Depreciated:</i>		
Machinery and Equipment	\$3,139,644	\$494,660
Less Accumulated Depreciation:		
Machinery and Equipment	(492,482)	(54,239)
<i>Capital Assets, Net</i>	<i>\$2,647,162</i>	<i>\$440,421</i>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of minimum lease payments as of December 31, 2007:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2008	\$582,369	\$61,322
2009	582,369	61,321
2010	582,369	61,322
2011	582,369	61,321
2012	582,368	61,322
2013	149,378	0
2014	149,379	0
Total Minimum Lease Payments	3,210,601	306,608
Less: Amount Representing Interest	(378,040)	(49,642)
Present Value of Minimum Lease Payments	<u>\$2,832,561</u>	<u>\$256,966</u>

**Note 13 - Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. The maximum amount of vacation time that can be accrued is the total that can be earned in three years. Earned vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours of accumulated, unused sick leave.

**Note 14 - Defined Benefit Pension Plans**

**A. Ohio Public Employee Retirement System**

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$2,165,428, \$2,021,456 and \$1,987,536 respectively; 73.96 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$18,224 made by the City and \$12,500 made by the plan members.

***B. Ohio Police and Fire Pension Fund***

**Plan Description** – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$1,083,052 and \$1,115,934 for the year ended December 31, 2007, \$1,086,605 and \$1,076,474 for the year ended December 31, 2006, and \$1,051,876 and \$1,105,907 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 76.37 percent has been contributed for police and 74.24 percent has been contributed for firefighters for 2007.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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**Note 15 - Post Employment Benefits**

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

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

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

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

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$864,916, \$593,045 and \$589,906 respectively; 71.85 percent has been contributed for 2007 and 100 percent for 2006 and 2005. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.



**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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

***B. Police and Firemen's Disability and Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post -employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OP&F Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$374,844 and \$313,912 for the year ended December 31, 2007, \$431,817 and \$347,593 for the year ended December 31, 2006, and \$418,015 and \$357,097 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 73.67 percent has been contributed for

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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police and 74.24 percent has been contributed for firefighters for 2007. The OP&F's total health care expenses for the year ended December 31, 2006, (the latest information available) were \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation available was 14,120 for police and 10,563 for firefighters.

**Note 16 – Contractual Commitments**

As of December 31, 2007, the open construction contracts for the water pollution control department were \$6,351,095.

For relief sewer and retention basin construction there are open construction contracts with Digioia Suburban Excavating for \$4,943,335, Underground Utilities for \$592,404 and CT Consultants for \$815,356.

The City also had an open construction contracts with Fabrizi Trucking and Paving Company Inc. for the Riverbend Commerce Park project in the amount of \$955,430. The total open construction contracts for the project totaled \$991,791 at the end of 2007.

**Note 17 – Jointly Governed Organization**

*Northeast Ohio Areawide Coordinating Agency*

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 38 member board that includes the Mayor of the City of Lorain. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2007, the City contributed \$17,525 to the agency.

**Note 18 - Related Organization**

*Lorain Port Authority*

The Lorain Port Authority was formed to promote waterborne commerce, provide economic opportunities and to enhance public access to waterways within the City of Lorain. The Mayor of the City appoints the nine Port Authority Board Members. The Port Authority hires and fires its own staff and does not rely on the City to finance deficits. The City is not financially accountable for the Port Authority nor is the Port Authority financially dependent on the City. The Port Authority serves as its own budgeting, taxing, and debt issuance authority.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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**Note 19 – Shared Risk Pool**

***Public Entity Risk Consortium (PERC)***

The City participates in PERC, a shared risk joint self-insurance pool restricted to mid-size public entities including pools. PERC was formed as an Ohio not-for-profit corporation as authorized by Ohio Revised Code Section 2744.081 and operates a property, crime, and liability insurance program. The Public Entity Risk Consortium (PERC) is a shared risk pool comprised of Tuscarawas County, Wayne County, the City of Lorain and the member participants of four pools: the Buckeye Ohio Risk Management Association, Inc. (BORMA); the Midwest Pool Risk Management Agency, Inc. (MPRMA); the Ohio Housing Authority Property and Casualty, Inc. (OHAPCI); and the State Housing Authority Risk Pool Association, Inc. (SHARP). Each member appoints one person to represent the City on the Board of Trustees. The Board of Directors consists of five trustees as determined by Board of Trustee vote. The Board of Directors governs and administers PERC. Each member's control over the budgeting and financing of PERC is limited to its voting authority and any representation it may have on the Board of Directors. Participation in PERC is by written application subject to approval of the Board of Directors and the payment of premiums. Members are required to remain members of PERC until the end of the PERC fiscal year (November 30). Any member may withdraw from PERC at the end of the PERC fiscal year upon providing at least three months prior written notice. After withdrawal, the former member continues to be fully obligated for its portion of any claim against the assets of the joint self-insurance pool that was created during the term of its membership. In addition, any distribution of surplus PERC funds allocable to the withdrawing member are forfeited by the withdrawing member and is distributed to the then remaining members in proportion to their interest in the surplus funds or other equitable manner as determined by the Board of Directors. In 2007, the City made payments in the amount of \$325,490 to PERC. Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., MK Ferguson Plaza, 1500 West Third Street, Suite 405, Cleveland, OH 44113.

**Note 20 - Interfund Transfers and Balances**

***A. Transfers***

Transfers are primarily from the general fund to various funds within the City. The general fund transferred funds to help finance the various programs accounted for in other funds. The municipal court computer and the municipal court probation funds transferred surplus fees collected to the general fund to supplement the judges and clerk of courts departments.

The lighthouse urban renewal fund transferred monies to the community development fund to cover the costs of indirect expenditures associated with the Lighthouse Urban Renewal project.

Transfers are also made to cover the various debt obligations of the City from the general fund and the lighthouse urban renewal fund to the general obligation bond retirement fund and the special assessment bond retirement fund.

The general sewer fund transferred monies to the capital improvement fund to cover the City's portion of the capital project costs.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

Transfers made during the year ended December 31, 2007 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>				<u>Totals</u>
	<u>Governmental Activities</u>				
	<u>General</u>	<u>Community Development Block Grant</u>	<u>Capital Improvements</u>	<u>Nonmajor</u>	
<u>Governmental Activities</u>					
General Fund	\$0	\$0	\$0	\$16,088	\$16,088
Community Development Block Grant	0	0	100,000	0	100,000
G.O. Bond Retirement	576,596	115,746	0	0	692,342
Capital Improvements	120,000	0	0	679,976	799,976
Nonmajor Funds	1,089,338	0	0	0	1,089,338
<b>Total</b>	<b>\$1,785,934</b>	<b>\$115,746</b>	<b>\$100,000</b>	<b>\$696,064</b>	<b>\$2,697,744</b>

**B. Balances**

The interfund balances as of December 31, 2007 represent eliminating negative cash, unallocated municipal court fines, utility and petroleum costs.

<u>Interfund Payable</u>	<u>Interfund Receivable</u>					<u>Totals</u>
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Governmental Activities- Internal Service</u>	
	<u>Capital Improvements</u>	<u>Nonmajor</u>	<u>Water Works</u>	<u>Water Pollution Control</u>	<u>Garage</u>	
<u>Governmental Activities</u>						
General	\$323,176	\$23,717	\$116,000	\$2,425	\$0	\$465,318
Community Development Block Grant	0	0	25	38	1,440	1,503
<b>Total</b>	<b>\$323,176</b>	<b>\$23,717</b>	<b>\$116,025</b>	<b>\$2,463</b>	<b>\$1,440</b>	<b>\$466,821</b>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2007*

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**Note 21 - Litigation**

The City is a defendant in various lawsuits seeking damages. City management cannot presently determine the outcome of such litigation or predict the likelihood or amount of liability, if any, the City may incur as a result of these matters.



**Combining Statements  
and Individual Fund Schedules**

## **Fund Descriptions - Nonmajor Governmental Funds**

### *Nonmajor Special Revenue Funds*

To account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

#### **Streets Fund**

This fund accounts for that portion of State gasoline tax and motor vehicle registration fees used for the maintenance and repair of dedicated streets within the City. Included in this fund as a subfund for State highway for that portion of the State gasoline tax, motor vehicle registration fees designated for State highways and street maintenance within the City.

#### **Permissive License Fund**

This fund accounts for revenues levied by the City designated for street maintenance within the City.

#### **Health Services Fund**

This fund accounts for revenues received from local health permits, nursing fees, clinic fees and grants used to operate the public health services of the City.

#### **Litter Control Fund**

This fund accounts for grants from the Lorain County Solid Waste Management District used for recycling and composting activities in the City.

#### **Police Levy Fund**

This fund accounts for municipal income tax revenues used to pay a portion of salaries and equipment of the City's police force.

#### **Mandatory Drug Fund**

This fund accounts for proceeds received from the sale of property confiscated during drug related arrests.

#### **Police Pension Fund**

This fund accounts for property taxes collected to pay for a portion of the employer's share of police pension benefits.

#### **Fire Pension Fund**

This fund accounts for property taxes collected to pay for a portion of the employer's share of fire pension benefits.

#### **Indigent Drivers Fund**

This fund accounts for fees collected by the municipal court from persons whose driver's license or permit was suspended for driving under the influence of alcohol. By order of the court, this fund will provide for the cost of rehabilitation for those deemed to be indigent.

#### **Park Land Fund**

This fund accounts for revenues received from contractors who establish new developments in the City and is used in the development of land for parks.

#### **Cemetery Fund**

This fund accounts for the portion of burial permit fees that are set aside to maintain the cemetery.

(continued)



## **Fund Descriptions - Nonmajor Governmental Funds (continued)**

### ***Nonmajor Special Revenue Funds (continued)***

#### **Law Enforcement Fund**

This fund accounts for the monies used by the police department in their enforcement of drug related laws.

#### **Municipal Court Computer Fund**

This fund accounts for court fees collected by the municipal court to be used for equipment, computers and improvements for the court.

#### **Legal Research Fund**

This fund accounts for court fees collected by the municipal court designated to maintain and keep the City's law library material current.

#### **Municipal Court Security Fund**

This fund accounts for court fees collected by the municipal court designated for the hiring of security bailiffs for the Lorain Municipal Court.

#### **Municipal Court Probation Fund**

This fund accounts for court fees collected by the municipal court designated for the hiring of probation officers for the Lorain Municipal Court.

### ***Nonmajor Debt Service Fund***

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment principal, interest, and related costs.

#### **Special Assessment Bond Retirement Fund**

This fund accounts for the collection of special assessments levied against benefited properties for the payment of special assessment bonds and related interest.

### ***Nonmajor Capital Projects Funds***

Capital projects funds are established to account for financial resources to be used for the construction or acquisition of major capital facilities (other than those financed by proprietary funds.)

#### **General Sewer Fund**

This fund accounts for fees from new homes and new users of the storm sewer system used for capital expenditures for the existing storm sewer system.

#### **Lighthouse Urban Renewal Fund**

This fund accounts for monies received from the sale of bonds to be used for urban renewal activities associated with the Lighthouse Village retail development area.

#### **Riverfront Urban Renewal Fund**

This fund accounts for monies received from the sale of bonds to be used for urban renewal activities to remove blight from the riverfront.

#### **Municipal Court Improvements Fund**

This fund accounts for fees collected by the municipal court to be used for capital improvements for the court.

**City of Lorain, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Governmental Funds*  
*December 31, 2007*

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,863,767	\$0	\$933,896	\$4,797,663
Cash and Cash Equivalents				
With Escrow Agents	466,591	0	0	466,591
Accounts Receivable	0	0	34,218	34,218
Materials and Supplies Inventory	159,343	0	0	159,343
Interfund Receivable	20,134	0	3,583	23,717
Intergovernmental Receivable	1,142,242	0	0	1,142,242
Prepaid Items	2,865	0	0	2,865
Municipal Income Taxes Receivable	289,758	0	0	289,758
Property Taxes Receivable	618,468	0	0	618,468
Special Assessment Receivable	0	478,764	0	478,764
<i>Total Assets</i>	<u>\$6,563,168</u>	<u>\$478,764</u>	<u>\$971,697</u>	<u>\$8,013,629</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$96,159	\$0	\$462	\$96,621
Contracts Payable	0	0	205,352	205,352
Accrued Wages and Benefits	81,429	0	0	81,429
Intergovernmental Payable	237,268	0	0	237,268
Accrued Interest Payable	21,042	0	5,426	26,468
Deferred Revenue	1,380,925	478,764	0	1,859,689
<i>Total Liabilities</i>	<u>1,816,823</u>	<u>478,764</u>	<u>211,240</u>	<u>2,506,827</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	640,990	0	104,604	745,594
Reserved for Capital Leases	466,591	0	0	466,591
Unreserved, Undesignated				
Special Revenue Funds	3,638,764	0	0	3,638,764
Capital Projects Funds	0	0	655,853	655,853
<i>Total Fund Balances</i>	<u>4,746,345</u>	<u>0</u>	<u>760,457</u>	<u>5,506,802</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,563,168</u>	<u>\$478,764</u>	<u>\$971,697</u>	<u>\$8,013,629</u>

**City of Lorain, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Governmental Funds*  
*For the Year Ended December 31, 2007*

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Property Taxes	\$624,948	\$0	\$0	\$624,948
Municipal Income Taxes	2,302,429	0	0	2,302,429
Charges for Services	451,697	0	490,331	942,028
Licenses and Permits	278,850	0	0	278,850
Fines and Forfeitures	739,438	0	56,616	796,054
Intergovernmental	3,646,395	0	159,690	3,806,085
Special Assessments	0	71,842	0	71,842
Interest	0	0	18,992	18,992
Miscellaneous	142,179	0	0	142,179
<i>Total Revenues</i>	<u>8,185,936</u>	<u>71,842</u>	<u>725,629</u>	<u>8,983,407</u>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	229,613	443	0	230,056
Security of Persons and Property	2,737,549	0	0	2,737,549
Transportation	3,284,017	0	0	3,284,017
Public Health	1,668,213	0	0	1,668,213
Community Environment	461,302	0	0	461,302
Leisure Time Activities	55,035	0	0	55,035
Capital Outlay	0	0	950,754	950,754
<b>Debt Service:</b>				
Principal Retirement	468,103	97,705	46,855	612,663
Interest and Fiscal Charges	290,818	34,318	18,230	343,366
<i>Total Expenditures</i>	<u>9,194,650</u>	<u>132,466</u>	<u>1,015,839</u>	<u>10,342,955</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,008,714)</u>	<u>(60,624)</u>	<u>(290,210)</u>	<u>(1,359,548)</u>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Proceeds	900,000	0	0	900,000
Loan Received	200,000	0	0	200,000
Transfers In	1,028,714	60,624	0	1,089,338
Transfers Out	(468,064)	0	(228,000)	(696,064)
<i>Total Other Financing Sources (Uses)</i>	<u>1,660,650</u>	<u>60,624</u>	<u>(228,000)</u>	<u>1,493,274</u>
<i>Net Change in Fund Balances</i>	651,936	0	(518,210)	133,726
<i>Fund Balances Beginning of Year</i>	<u>4,094,409</u>	<u>0</u>	<u>1,278,667</u>	<u>5,373,076</u>
<i>Fund Balances End of Year</i>	<u>\$4,746,345</u>	<u>\$0</u>	<u>\$760,457</u>	<u>\$5,506,802</u>

**City of Lorain, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*December 31, 2007*

	Streets	Permissive License	Health Services	Litter Control	Police Levy
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$336,338	\$9,263	\$15,928	\$760	\$1,152,851
Cash and Cash Equivalents With Escrow Agents	466,591	0	0	0	0
Materials and Supplies Inventory	96,501	0	17,059	0	45,783
Interfund Receivable	0	0	0	0	0
Intergovernmental Receivable	1,007,303	23,676	81,263	0	0
Prepaid Items	853	0	1,753	0	259
Municipal Income Taxes Receivable	0	0	0	0	289,758
Property Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$1,907,586</u>	<u>\$32,939</u>	<u>\$116,003</u>	<u>\$760</u>	<u>\$1,488,651</u>
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$50,493	\$0	\$2,507	\$0	\$19,964
Accrued Wages and Benefits	27,293	0	20,307	0	29,666
Intergovernmental Payable	80,946	0	74,106	0	63,075
Accrued Interest Payable	21,042	0	0	0	0
Deferred Revenue	644,923	0	40,781	0	46,753
<i>Total Liabilities</i>	<u>824,697</u>	<u>0</u>	<u>137,701</u>	<u>0</u>	<u>159,458</u>
 <b>Fund Balances</b>					
Reserved for Encumbrances	495,234	5,923	11,751	0	123,593
Reserved for Capital Leases	466,591	0	0	0	0
Unreserved, Undesignated (Deficit)	121,064	27,016	(33,449)	760	1,205,600
<i>Total Fund Balances (Deficit)</i>	<u>1,082,889</u>	<u>32,939</u>	<u>(21,698)</u>	<u>760</u>	<u>1,329,193</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,907,586</u>	<u>\$32,939</u>	<u>\$116,003</u>	<u>\$760</u>	<u>\$1,488,651</u>

<u>Mandatory Drug</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Indigent Drivers</u>	<u>Park Land</u>	<u>Cemetery</u>	<u>Law Enforcement</u>
\$11,893	\$503,287	\$347,398	\$147,329	\$34,905	\$4,960	\$859,848
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	372	0	0	0
0	15,000	15,000	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	309,234	309,234	0	0	0	0
<u>\$11,893</u>	<u>\$827,521</u>	<u>\$671,632</u>	<u>\$147,701</u>	<u>\$34,905</u>	<u>\$4,960</u>	<u>\$859,848</u>
\$575	\$0	\$0	\$0	\$20,332	\$0	\$0
0	0	0	0	0	0	0
0	0	0	0	0	0	7,754
0	0	0	0	0	0	0
0	324,234	324,234	0	0	0	0
<u>575</u>	<u>324,234</u>	<u>324,234</u>	<u>0</u>	<u>20,332</u>	<u>0</u>	<u>7,754</u>
0	0	0	0	3,799	0	0
0	0	0	0	0	0	0
<u>11,318</u>	<u>503,287</u>	<u>347,398</u>	<u>147,701</u>	<u>10,774</u>	<u>4,960</u>	<u>852,094</u>
<u>11,318</u>	<u>503,287</u>	<u>347,398</u>	<u>147,701</u>	<u>14,573</u>	<u>4,960</u>	<u>852,094</u>
<u>\$11,893</u>	<u>\$827,521</u>	<u>\$671,632</u>	<u>\$147,701</u>	<u>\$34,905</u>	<u>\$4,960</u>	<u>\$859,848</u>

(continued)

**City of Lorain, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds (continued)*  
*December 31, 2007*

	Municipal Court Computer	Legal Research	Municipal Court Security	Municipal Court Probation	Total Nonmajor Special Revenue Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$308,039	\$64,685	\$28,732	\$37,551	\$3,863,767
Cash and Cash Equivalents					
With Escrow Agents	0	0	0	0	466,591
Materials and Supplies Inventory	0	0	0	0	159,343
Interfund Receivable	8,569	2,567	2,761	5,865	20,134
Intergovernmental Receivable	0	0	0	0	1,142,242
Prepaid Items	0	0	0	0	2,865
Municipal Income Taxes Receivable	0	0	0	0	289,758
Property Taxes Receivable	0	0	0	0	618,468
<i>Total Assets</i>	<u>\$316,608</u>	<u>\$67,252</u>	<u>\$31,493</u>	<u>\$43,416</u>	<u>\$6,563,168</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$2,288	\$0	\$0	\$0	\$96,159
Accrued Wages and Benefits	1,085	0	2,110	968	81,429
Intergovernmental Payable	3,605	0	4,474	3,308	237,268
Interfund Payable	0	0	0	0	21,042
Deferred Revenue	0	0	0	0	1,380,925
<i>Total Liabilities</i>	<u>6,978</u>	<u>0</u>	<u>6,584</u>	<u>4,276</u>	<u>1,816,823</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	190	500	0	0	640,990
Reserved for Leases	0	0	0	0	466,591
Unreserved, Undesignated (Deficit)	309,440	66,752	24,909	39,140	3,638,764
<i>Total Fund Balances (Deficit)</i>	<u>309,630</u>	<u>67,252</u>	<u>24,909</u>	<u>39,140</u>	<u>4,746,345</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$316,608</u>	<u>\$67,252</u>	<u>\$31,493</u>	<u>\$43,416</u>	<u>\$6,563,168</u>

**City of Lorain, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds*  
*For the Year Ended December 31, 2007*

	Streets	Permissive License	Health Services	Litter Control	Police Levy
<b>Revenues</b>					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Municipal Income Taxes	0	0	0	0	2,302,429
Charges for Services	0	0	451,697	0	0
Licenses and Permits	0	0	278,850	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	2,321,578	255,995	449,162	401,690	148,556
Miscellaneous	40,204	0	0	0	6,950
<i>Total Revenues</i>	<u>2,361,782</u>	<u>255,995</u>	<u>1,179,709</u>	<u>401,690</u>	<u>2,457,935</u>
<b>Expenditures</b>					
Current:					
General Government	0	0	0	0	0
Security of Persons and Property	0	0	0	0	2,377,639
Transportation	3,016,139	267,878	0	0	0
Public Health	0	0	1,660,314	0	0
Community Environment	0	0	0	461,302	0
Leisure Time Activities	0	0	0	0	0
Debt Service:					
Principal Retirement	244,981	0	3,122	0	160,000
Interest and Fiscal Charges	70,834	0	1,468	0	129,835
<i>Total Expenditures</i>	<u>3,331,954</u>	<u>267,878</u>	<u>1,664,904</u>	<u>461,302</u>	<u>2,667,474</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(970,172)</u>	<u>(11,883)</u>	<u>(485,195)</u>	<u>(59,612)</u>	<u>(209,539)</u>
<b>Other Financing Sources (Uses)</b>					
Capital Lease Proceeds	900,000	0	0	0	0
Loan Received	0	0	0	0	0
Transfers In	512,625	0	516,089	0	0
Transfers Out	(104,976)	(100,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,307,649</u>	<u>(100,000)</u>	<u>516,089</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	337,477	(111,883)	30,894	(59,612)	(209,539)
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>745,412</u>	<u>144,822</u>	<u>(52,592)</u>	<u>60,372</u>	<u>1,538,732</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,082,889</u>	<u>\$32,939</u>	<u>(\$21,698)</u>	<u>\$760</u>	<u>\$1,329,193</u>

(continued)

**City of Lorain, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds (continued)*  
*For the Year Ended December 31, 2007*

	Mandatory Drug	Police Pension	Fire Pension	Indigent Drivers	Park Land
<b>Revenues</b>					
Property Taxes	\$0	\$296,434	\$328,514	\$0	\$0
Municipal Income Taxes	0	0	0	0	0
Charges for Services	0	0	0	0	0
Licenses and Permits	0	0	0	0	0
Fines and Forfeitures	13,224	0	0	17,756	0
Intergovernmental	0	34,707	34,707	0	0
Miscellaneous	0	0	0	0	95,025
<i>Total Revenues</i>	<u>13,224</u>	<u>331,141</u>	<u>363,221</u>	<u>17,756</u>	<u>95,025</u>
<b>Expenditures</b>					
Current:					
General Government	0	0	0	4,299	0
Security of Persons and Property	16,625	6,608	37,192	0	0
Transportation	0	0	0	0	0
Public Health	0	0	0	0	0
Community Environment	0	0	0	0	0
Leisure Time Activities	0	0	0	0	55,035
Debt Service:					
Principal Retirement	0	21,000	39,000	0	0
Interest and Fiscal Charges	0	31,038	57,643	0	0
<i>Total Expenditures</i>	<u>16,625</u>	<u>58,646</u>	<u>133,835</u>	<u>4,299</u>	<u>55,035</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,401)</u>	<u>272,495</u>	<u>229,386</u>	<u>13,457</u>	<u>39,990</u>
<b>Other Financing Sources (Uses)</b>					
Capital Lease Proceeds	0	0	0	0	0
Loan Received	0	0	0	0	200,000
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	(250,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(50,000)</u>
<i>Net Change in Fund Balances</i>	<u>(3,401)</u>	<u>272,495</u>	<u>229,386</u>	<u>13,457</u>	<u>(10,010)</u>
<b>Fund Balances (Deficit)</b>					
<i>Beginning of Year</i>	<u>14,719</u>	<u>230,792</u>	<u>118,012</u>	<u>134,244</u>	<u>24,583</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$11,318</u></u>	<u><u>\$503,287</u></u>	<u><u>\$347,398</u></u>	<u><u>\$147,701</u></u>	<u><u>\$14,573</u></u>



Cemetery	Law Enforcement	Municipal Court Computer	Legal Research	Municipal Court Security	Municipal Court Probation	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$0	\$0	\$624,948
0	0	0	0	0	0	2,302,429
0	0	0	0	0	0	451,697
0	0	0	0	0	0	278,850
0	447,806	113,192	34,547	39,155	73,758	739,438
0	0	0	0	0	0	3,646,395
0	0	0	0	0	0	142,179
0	447,806	113,192	34,547	39,155	73,758	8,185,936
0	0	126,984	26,972	71,358	0	229,613
0	236,946	0	0	0	62,539	2,737,549
0	0	0	0	0	0	3,284,017
7,899	0	0	0	0	0	1,668,213
0	0	0	0	0	0	461,302
0	0	0	0	0	0	55,035
0	0	0	0	0	0	468,103
0	0	0	0	0	0	290,818
7,899	236,946	126,984	26,972	71,358	62,539	9,194,650
(7,899)	210,860	(13,792)	7,575	(32,203)	11,219	(1,008,714)
0	0	0	0	0	0	900,000
0	0	0	0	0	0	200,000
0	0	0	0	0	0	1,028,714
0	0	(10,059)	(3,029)	0	0	(468,064)
0	0	(10,059)	(3,029)	0	0	1,660,650
(7,899)	210,860	(23,851)	4,546	(32,203)	11,219	651,936
12,859	641,234	333,481	62,706	57,112	27,921	4,094,409
\$4,960	\$852,094	\$309,630	\$67,252	\$24,909	\$39,140	\$4,746,345

**City of Lorain, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Capital Projects Funds*  
*December 31, 2007*

	General Sewer	Lighthouse Urban Renewal	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$334,064	\$99,829	\$290,492	\$209,511	\$933,896
Accounts Receivable	34,218	0	0	0	34,218
Interfund Receivable	0	0	0	3,583	3,583
<i>Total Assets</i>	<u>\$368,282</u>	<u>\$99,829</u>	<u>\$290,492</u>	<u>\$213,094</u>	<u>\$971,697</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$0	\$0	\$0	\$462	\$462
Contracts Payable	204,913	0	0	439	205,352
Accrued Interest Payable	5,426	0	0	0	5,426
<i>Total Liabilities</i>	<u>210,339</u>	<u>0</u>	<u>0</u>	<u>901</u>	<u>211,240</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	18,315	0	82,436	3,853	104,604
Unreserved, Undesignated	139,628	99,829	208,056	208,340	655,853
<i>Total Fund Balances</i>	<u>157,943</u>	<u>99,829</u>	<u>290,492</u>	<u>212,193</u>	<u>760,457</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$368,282</u>	<u>\$99,829</u>	<u>\$290,492</u>	<u>\$213,094</u>	<u>\$971,697</u>

**City of Lorain, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Capital Projects Funds*  
*For the Year Ended December 31, 2007*

	General Sewer	Lighthouse Urban Renewal	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
<b>Revenues</b>					
Charges for Services	\$490,331	\$0	\$0	\$0	\$490,331
Fines and Forfeitures	0	0	0	56,616	56,616
Intergovernmental	159,690	0	0	0	159,690
Interest	0	5,727	12,100	1,165	18,992
<i>Total Revenues</i>	<u>650,021</u>	<u>5,727</u>	<u>12,100</u>	<u>57,781</u>	<u>725,629</u>
<b>Expenditures</b>					
Capital Outlay	651,779	260,423	3,392	35,160	950,754
Debt Service:					
Principal Retirement	46,855	0	0	0	46,855
Interest and Fiscal Charges	18,230	0	0	0	18,230
<i>Total Expenditures</i>	<u>716,864</u>	<u>260,423</u>	<u>3,392</u>	<u>35,160</u>	<u>1,015,839</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(66,843)	(254,696)	8,708	22,621	(290,210)
<b>Other Financing Uses</b>					
Transfers Out	(225,000)	0	0	(3,000)	(228,000)
<i>Net Change in Fund Balances</i>	(291,843)	(254,696)	8,708	19,621	(518,210)
<i>Fund Balances Beginning of Year</i>	<u>449,786</u>	<u>354,525</u>	<u>281,784</u>	<u>192,572</u>	<u>1,278,667</u>
<i>Fund Balances End of Year</i>	<u>\$157,943</u>	<u>\$99,829</u>	<u>\$290,492</u>	<u>\$212,193</u>	<u>\$760,457</u>

## **Fund Descriptions – Internal Service Funds**

### *Internal Service Funds*

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

#### **Garage Fund**

This fund accounts for charges to various departments of the City for maintenance on vehicles and equipment and other related costs used to defray the operating costs and purchases of the garage.

#### **Hospitalization Fund**

This fund accounts for the hospital/medical, prescription drug, vision, and dental benefits for its employees on a self-insured basis.

**City of Lorain, Ohio**  
*Combining Statement of Fund Net Assets*  
*Internal Service Funds*  
*December 31, 2007*

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
<b>Assets</b>			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$14,383	\$383,348	\$397,731
Materials and Supplies Inventory	598,413	0	598,413
Interfund Receivable	1,440	0	1,440
	<u>614,236</u>	<u>383,348</u>	<u>997,584</u>
<i>Total Current Assets</i>			
<i>Noncurrent Assets</i>			
Depreciable Capital Assets, Net	197,801	0	197,801
	<u>812,037</u>	<u>383,348</u>	<u>1,195,385</u>
<i>Total Assets</i>			
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts Payable	49,492	0	49,492
Accrued Wages and Benefits	9,957	368	10,325
Intergovernmental Payable	34,765	1,231	35,996
Claims Payable	0	645,036	645,036
Compensated Absences Payable	46,034	0	46,034
Bonds Payable	17,996	0	17,996
	<u>158,244</u>	<u>646,635</u>	<u>804,879</u>
<i>Total Current Liabilities</i>			
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	53,203	6,406	59,609
Bonds Payable	151,531	0	151,531
	<u>204,734</u>	<u>6,406</u>	<u>211,140</u>
<i>Total Long-Term Liabilities</i>			
<i>Total Liabilities</i>	<u>362,978</u>	<u>653,041</u>	<u>1,016,019</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	28,274	0	28,274
Unrestricted (Deficit)	420,785	(269,693)	151,092
	<u>449,059</u>	<u>(269,693)</u>	<u>\$179,366</u>
<i>Total Net Assets (Deficit)</i>			

**City of Lorain, Ohio**  
*Combining Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Internal Service Funds*  
*For the Year Ended December 31, 2007*

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Charges for Services	\$1,874,214	\$4,636,525	\$6,510,739
Miscellaneous	0	13,093	13,093
<i>Total Operating Revenues</i>	<u>1,874,214</u>	<u>4,649,618</u>	<u>6,523,832</u>
<b>Operating Expenses</b>			
Personal Services	602,687	20,526	623,213
Materials and Supplies	938,388	0	938,388
Contractual Services	1,560	0	1,560
Claims	0	4,819,299	4,819,299
Other Operating Expenses	3,546	0	3,546
Depreciation	4,719	0	4,719
<i>Total Operating Expenses</i>	<u>1,550,900</u>	<u>4,839,825</u>	<u>6,390,725</u>
<i>Operating Income (Loss)</i>	323,314	(190,207)	133,107
<b>Non-Operating Expenses</b>			
Interest Expense	<u>(8,126)</u>	<u>0</u>	<u>(8,126)</u>
<i>Change in Net Assets</i>	315,188	(190,207)	124,981
<i>Net Assets (Deficit) Beginning of Year</i>	<u>133,871</u>	<u>(79,486)</u>	<u>54,385</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$449,059</u></u>	<u><u>(\$269,693)</u></u>	<u><u>\$179,366</u></u>

**City of Lorain, Ohio**  
*Combining Statement of Cash Flows*  
*Internal Service Funds*  
*For the Year Ended December 31, 2007*

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Transactions with Other Funds	\$1,873,251	\$4,636,525	\$6,509,776
Cash Payments for Goods and Services	(1,057,690)	0	(1,057,690)
Cash Payments for Employee Services and Benefits	(628,322)	(21,804)	(650,126)
Cash Payments for Claims	0	(4,693,675)	(4,693,675)
Other Operating Revenues	0	13,093	13,093
<i>Net Cash Provided By (Used for) Operating Activities</i>	<u>187,239</u>	<u>(65,861)</u>	<u>121,378</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Advances Out	<u>(167,157)</u>	<u>0</u>	<u>(167,157)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal Paid on Bonds	(17,276)	0	(17,276)
Interest Paid on Bonds	<u>(8,126)</u>	<u>0</u>	<u>(8,126)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(25,402)</u>	<u>0</u>	<u>(25,402)</u>
Net Decrease in Cash and Cash Equivalents	(5,320)	(65,861)	(71,181)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>19,703</u>	<u>449,209</u>	<u>468,912</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$14,383</u></u>	<u><u>\$383,348</u></u>	<u><u>\$397,731</u></u>

(continued)

**City of Lorain, Ohio**  
*Combining Statement of Cash Flows*  
*Internal Service Funds (continued)*  
For the Year Ended December 31, 2007

	Garage	Hospitalization	Totals
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	\$323,314	(\$190,207)	\$133,107
<i>Adjustments:</i>			
Depreciation	4,719	0	4,719
<i>(Increase) Decrease in Assets:</i>			
Interfund Receivable	(963)	0	(963)
Materials and Supplies Inventory	(124,425)	0	(124,425)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	19,037	0	19,037
Accrued Wages and Benefits	1,205	72	1,277
Claims Payable	0	125,624	125,624
Interfund Payable	(8,800)	0	(8,800)
Compensated Absences Payable	(26,865)	(1,509)	(28,374)
Intergovernmental Payable	17	159	176
<i>Total Adjustments</i>	<i>(136,075)</i>	<i>124,346</i>	<i>(11,729)</i>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>\$187,239</i>	<i>(\$65,861)</i>	<i>\$121,378</i>



## **Fund Descriptions - Agency Funds**

### *Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equals liabilities) and thus do not involve measurement of results of operations.

### *Agency Funds*

#### **Street Excavation Fund**

This fund was established to account for deposits made by private contractors who excavate streets during construction to ensure that repairs are properly completed.

#### **Allotment Improvement Fund**

This fund was established to account for inspection fees charged to developers for engineering, surveying and inspection costs.

#### **Deposits Held Fund**

This fund was established to account for deposits held by the City to ensure compliance with various City ordinances. Upon satisfactory completion of projects, the deposits are returned.

#### **Contracts Trust Fund**

This fund was established to account for charges to contractors to cover the costs of bid proposals, prepared and distributed by the director of public service/safety.

#### **Vital Statistics Fund**

This fund was established to account for the portion of fees collected for birth and death certificates that are sent to the State.

#### **Flexible Spending Fund**

This fund was established to account for deposits made by employees who participate in a flexible benefits plan for unreimbursed medical and/or dependent day care.

#### **County User Fee Fund**

This fund was established to account for sewer charges collected by the City and then remitted to the cities of Avon and Avon Lake.

#### **State Highway Patrol Fund**

This fund was established to account for the portion of the State Highway Patrol fines that are dedicated to the county Law Library.

**City of Lorain, Ohio**  
*Combining Statement of Changes in Assets and Liabilities*  
*Agency Funds*  
For the Year Ended December 31, 2007

	Beginning Balance 12/31/06	Additions	Deductions	Ending Balance 12/31/07
<b><i>Street Excavation</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$11,810	\$0	\$0	\$11,810
<b>Liabilities</b>				
Deposits Held and Due to Others	\$11,810	\$0	\$0	\$11,810
 <b><i>Allotment Improvement</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$265,682	\$7,352	\$118,453	\$154,581
<b>Liabilities</b>				
Deposits Held and Due to Others	\$265,682	\$7,352	\$118,453	\$154,581
 <b><i>Deposits Held</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$170,506	\$175,553	\$173,046	\$173,013
<b>Liabilities</b>				
Deposits Held and Due to Others	\$170,506	\$175,553	\$173,046	\$173,013
 <b><i>Contracts Trust</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$8,327	\$2,275	\$1,087	\$9,515
<b>Liabilities</b>				
Deposits Held and Due to Others	\$8,327	\$2,275	\$1,087	\$9,515
 <b><i>Vital Statistics</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$18,455	\$99,551	\$96,836	\$21,170
<b>Liabilities</b>				
Deposits Held and Due to Others	\$18,455	\$99,551	\$96,836	\$21,170

**City of Lorain, Ohio**  
*Combining Statement of Changes in Assets and Liabilities*  
*Agency Funds (continued)*  
*For the Year Ended December 31, 2007*

	Beginning Balance 12/31/06	Additions	Deductions	Ending Balance 12/31/07
<b><i>Flexible Spending</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$44,079	\$116,435	\$124,277	\$36,237
<b>Liabilities</b>				
Deposits Held and Due to Others	\$44,079	\$116,435	\$124,277	\$36,237
<b><i>County User Fee</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,077	\$43,444	\$48,521	\$0
<b>Liabilities</b>				
Deposits Held and Due to Others	\$5,077	\$43,444	\$48,521	\$0
<b><i>State Highway Patrol</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$14,970	\$14,970	\$0
<b>Liabilities</b>				
Deposits Held and Due to Others	\$0	\$14,970	\$14,970	\$0
<b><i>Total - All Agency Funds</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$523,936	\$459,580	\$577,190	\$406,326
<b>Liabilities</b>				
Deposits Held and Due to Others	\$523,936	\$459,580	\$577,190	\$406,326

**Individual Fund Schedules of Revenues, Expenditures/Expenses  
And Changes in Fund Balances/Fund Equity –  
Budget (Non-GAAP Basis) and Actual**

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**General Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$2,923,786	\$2,923,786	\$3,098,707	\$174,921
Municipal Income Taxes	16,199,741	16,199,741	16,517,197	317,456
Charges for Services	433,912	473,953	469,517	(4,436)
Licenses and Permits	1,091,550	1,091,950	766,736	(325,214)
Fines and Forfeitures	1,175,000	1,180,645	990,035	(190,610)
Intergovernmental	6,464,912	6,504,912	6,708,317	203,405
Interest	300,500	549,845	527,730	(22,115)
Miscellaneous	137,650	188,966	235,213	46,247
<i>Total Revenues</i>	<u>28,727,051</u>	<u>29,113,798</u>	<u>29,313,452</u>	<u>199,654</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government</b>				
<b>Civil Service:</b>				
Wages and Benefits	80,073	85,803	86,884	(1,081)
Contractual Services	7,592	3,850	3,850	0
Materials and Supplies	180	180	90	90
Other	7,000	7,000	4,633	2,367
<i>Total Civil Service</i>	<u>94,845</u>	<u>96,833</u>	<u>95,457</u>	<u>1,376</u>
<b>Council:</b>				
Wages and Benefits	276,055	284,943	285,287	(344)
Contractual Services	9,628	15,133	14,989	144
Materials and Supplies	730	730	729	1
Capital Outlay	3,500	2,460	2,272	188
Other	7,100	6,960	6,523	437
<i>Total Council</i>	<u>297,013</u>	<u>310,226</u>	<u>309,800</u>	<u>426</u>
<b>Mayor:</b>				
Wages and Benefits	173,866	164,296	166,425	(2,129)
Contractual Services	5,623	5,623	5,623	0
Materials and Supplies	3,760	2,198	2,198	0
<i>Total Mayor</i>	<u>183,249</u>	<u>172,117</u>	<u>174,246</u>	<u>(2,129)</u>
<b>Auditor:</b>				
Wages and Benefits	476,722	491,202	496,414	(5,212)
Contractual Services	65,970	66,757	66,751	6
Materials and Supplies	27,533	42,583	39,540	3,043
Other	3,460	2,863	725	2,138
<i>Total Auditor</i>	<u>\$573,685</u>	<u>\$603,405</u>	<u>\$603,430</u>	<u>(\$25)</u>

(continued)

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**General Fund (continued)**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Treasurer:</b>				
Wages and Benefits	\$500,332	\$480,529	\$484,995	(\$4,466)
Contractual Services	14,987	14,987	12,908	2,079
Materials and Supplies	10,683	10,583	6,907	3,676
Other	3,522	3,522	3,476	46
<i>Total Treasurer</i>	<u>529,524</u>	<u>509,621</u>	<u>508,286</u>	<u>1,335</u>
<b>Law Director:</b>				
Wages and Benefits	747,136	704,267	705,907	(1,640)
Contractual Services	4,000	3,185	3,026	159
Materials and Supplies	22,017	22,187	22,178	9
Capital Outlay	6,936	27,736	27,639	97
Other	6,766	9,511	8,650	861
<i>Total Law Director</i>	<u>786,855</u>	<u>766,886</u>	<u>767,400</u>	<u>(514)</u>
<b>Judges:</b>				
Wages and Benefits	717,942	765,912	765,379	533
Contractual Services	20,439	17,939	13,449	4,490
Materials and Supplies	8,380	6,880	6,880	0
Other	16,472	16,472	13,761	2,711
<i>Total Judges</i>	<u>763,233</u>	<u>807,203</u>	<u>799,469</u>	<u>7,734</u>
<b>Clerk of Courts:</b>				
Wages and Benefits	804,269	821,305	825,329	(4,024)
Contractual Services	19,284	18,709	17,808	901
Materials and Supplies	77,175	66,955	63,409	3,546
Other	5,500	5,500	4,948	552
<i>Total Clerk of Courts</i>	<u>906,228</u>	<u>912,469</u>	<u>911,494</u>	<u>975</u>
<b>Electrical:</b>				
Wages and Benefits	461,858	506,105	511,820	(5,715)
Contractual Services	42,300	35,300	33,323	1,977
Materials and Supplies	36,970	39,835	39,191	644
Other	2,480	2,480	1,521	959
<i>Total Electrical</i>	<u>\$543,608</u>	<u>\$583,720</u>	<u>\$585,855</u>	<u>(\$2,135)</u>

(continued)

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**General Fund (continued)**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Safety/Service:</b>				
Wages and Benefits	\$410,746	\$435,252	\$436,906	(\$1,654)
Contractual Services	605,409	709,293	1,801,171	(1,091,878)
Materials and Supplies	77,036	79,819	79,819	0
Capital Outlay	400	400	400	0
Other	248,280	411,376	381,712	29,664
<i>Total Safety/Service</i>	<u>1,341,871</u>	<u>1,636,140</u>	<u>2,700,008</u>	<u>(1,063,868)</u>
<b>Engineering:</b>				
Wages and Benefits	751,625	758,829	767,051	(8,222)
Contractual Services	10,903	10,270	7,350	2,920
Materials and Supplies	26,251	22,335	22,310	25
Capital Outlay	0	27,466	27,148	318
Other	4,200	4,303	4,040	263
<i>Total Engineering</i>	<u>792,979</u>	<u>823,203</u>	<u>827,899</u>	<u>(4,696)</u>
<b>Data Processing:</b>				
Wages and Benefits	183,378	187,360	194,869	(7,509)
Contractual Services	182,184	175,684	172,293	3,391
Materials and Supplies	22,915	22,735	20,985	1,750
Capital Outlay	40,144	567,019	566,679	340
Other	2,700	2,700	910	1,790
<i>Total Data Processing</i>	<u>431,321</u>	<u>955,498</u>	<u>955,736</u>	<u>(238)</u>
<i>Total General Government</i>	<u>7,244,411</u>	<u>8,177,321</u>	<u>9,239,080</u>	<u>(1,061,759)</u>
<b>Security of Persons and Property</b>				
<b>Police Department:</b>				
Wages and Benefits	8,162,623	8,047,829	8,142,176	(94,347)
Contractual Services	332,752	297,672	272,109	25,563
Materials and Supplies	487,148	515,409	529,763	(14,354)
Capital Outlay	0	6,847	6,815	32
Other	1,000	1,000	415	585
<i>Total Police Department</i>	<u>8,983,523</u>	<u>8,868,757</u>	<u>8,951,278</u>	<u>(82,521)</u>
<b>Fire Department</b>				
Wages and Benefits	7,193,140	7,273,668	7,374,923	(101,255)
Contractual Services	189,975	194,475	192,725	1,750
Materials and Supplies	167,436	193,776	182,762	11,014
Capital Outlay	17,388	66,888	66,569	319
Other	28,955	28,955	28,594	361
<i>Total Fire Department</i>	<u>7,596,894</u>	<u>7,757,762</u>	<u>7,845,573</u>	<u>(87,811)</u>
<i>Total Security of Persons and Property</i>	<u>\$16,580,417</u>	<u>\$16,626,519</u>	<u>\$16,796,851</u>	<u>(\$170,332)</u>

(continued)

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**General Fund (continued)**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public Health Services</b>				
<b>Cemetery:</b>				
Wages and Benefits	\$203,080	\$212,293	\$214,503	(\$2,210)
Contractual Services	11,200	10,500	9,865	635
Materials and Supplies	30,856	28,611	28,611	0
<i>Total Cemetery</i>	<u>245,136</u>	<u>251,404</u>	<u>252,979</u>	<u>(1,575)</u>
<b>Dog Warden:</b>				
Wages and Benefits	56,456	56,799	56,886	(87)
Materials and Supplies	6,400	13,000	13,070	(70)
Other	500	800	774	26
<i>Total Dog Warden</i>	<u>63,356</u>	<u>70,599</u>	<u>70,730</u>	<u>(131)</u>
<i>Total Public Health Services</i>	<u>308,492</u>	<u>322,003</u>	<u>323,709</u>	<u>(1,706)</u>
<b>Community Environment</b>				
<b>Building Inspection:</b>				
Wages and Benefits	642,573	613,495	615,495	(2,000)
Contractual Services	7,394	7,094	5,419	1,675
Materials and Supplies	16,620	18,520	18,520	0
Capital Outlay	7,000	0	0	0
Other	20,382	16,382	13,556	2,826
<i>Total Community Environment</i>	<u>693,969</u>	<u>655,491</u>	<u>652,990</u>	<u>2,501</u>
<b>Leisure Time Activities</b>				
<b>Parks Department:</b>				
Wages and Benefits	740,921	819,980	810,096	9,884
Contractual Services	88,900	97,820	95,569	2,251
Materials and Supplies	152,600	195,952	195,952	0
Other	4,300	24,300	24,070	230
<i>Total Leisure Time Activities</i>	<u>986,721</u>	<u>1,138,052</u>	<u>1,125,687</u>	<u>12,365</u>
<b>Debt Service:</b>				
Principal Retirement	278,985	278,985	278,985	0
Interest and Fiscal Charges	115,748	115,748	115,747	1
<i>Total Debt Service</i>	<u>394,733</u>	<u>394,733</u>	<u>394,732</u>	<u>1</u>
<i>Total Expenditures</i>	<u>\$26,208,743</u>	<u>\$27,314,119</u>	<u>\$28,533,049</u>	<u>(\$1,218,930)</u>

(continued)



**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**General Fund (continued)**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over Expenditures</i>	\$2,518,308	\$1,799,679	\$780,403	(\$1,019,276)
<b>Other Financing Sources (Uses):</b>				
Advances In	117,157	733,157	283,157	(450,000)
Capital Lease Proceeds	0	525,000	525,000	0
Loan Received	0	50,000	50,000	0
Transfers In	13,088	13,088	16,088	3,000
Transfers Out	(1,406,785)	(1,866,785)	(1,785,934)	80,851
<i>Total Other Financing Sources (Uses)</i>	(1,276,540)	(545,540)	(911,689)	(366,149)
<i>Net Change in Fund Balance</i>	1,241,768	1,254,139	(131,286)	(1,385,425)
<i>Fund Balance (Deficit) Beginning of Year</i>	(1,339,355)	(1,339,355)	(1,339,355)	0
Prior Year Encumbrances Appropriated	212,160	212,160	212,160	0
<i>Fund Balance (Deficit) End of Year</i>	\$114,573	\$126,944	(\$1,258,481)	(\$1,385,425)

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Community Development Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$6,157,943	\$6,419,977	\$4,370,472	(\$2,049,505)
Licenses and Permits	200,000	200,000	143,147	(56,853)
Interest	99,700	129,710	179,611	49,901
Miscellaneous	8,302	10,302	15,413	5,111
<i>Total Revenues</i>	<u>6,465,945</u>	<u>6,759,989</u>	<u>4,708,643</u>	<u>(2,051,346)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Economic Development</b>				
Wages and Benefits	1,555,957	1,815,731	1,421,935	393,796
Contractual Services	3,929,364	5,250,775	2,695,519	2,555,256
Capital Outlay	225,980	211,208	90,303	120,905
Other	3,181,850	3,256,323	1,826,411	1,429,912
<i>Total Economic Development</i>	<u>8,893,151</u>	<u>10,534,037</u>	<u>6,034,168</u>	<u>4,499,869</u>
<b>Debt Service:</b>				
Principal Retirement	626,541	626,541	445,000	181,541
Interest and Fiscal Charges	483,364	483,364	343,322	140,042
Bond Issuance Costs	0	65,107	65,107	0
<i>Total Debt Service</i>	<u>1,109,905</u>	<u>1,175,012</u>	<u>853,429</u>	<u>321,583</u>
<i>Total Expenditures</i>	<u>10,003,056</u>	<u>11,709,049</u>	<u>6,887,597</u>	<u>4,821,452</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,537,111)</u>	<u>(4,949,060)</u>	<u>(2,178,954)</u>	<u>2,770,106</u>
<b>Other Financing Sources (Uses):</b>				
Loans Received	1,059,959	1,059,959	0	(1,059,959)
Bonds Issued	0	1,315,000	1,315,000	0
Notes Issued	50,000	130,000	80,000	(50,000)
Discount on Bonds Issued	0	(5,619)	(5,619)	0
Transfers In	74,945	21,710	100,000	78,290
Transfers Out	0	(115,747)	(115,746)	1
<i>Total Other Financing Sources (Uses)</i>	<u>1,184,904</u>	<u>2,405,303</u>	<u>1,373,635</u>	<u>(1,031,668)</u>
<i>Net Change in Fund Balance</i>	<u>(2,352,207)</u>	<u>(2,543,757)</u>	<u>(805,319)</u>	<u>1,738,438</u>
<i>Fund Balance Beginning of Year</i>	<u>3,258,438</u>	<u>3,258,438</u>	<u>3,258,438</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>748,945</u>	<u>748,945</u>	<u>748,945</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,655,176</u>	<u>\$1,463,626</u>	<u>\$3,202,064</u>	<u>\$1,738,438</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**General Obligation Bond Retirement Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$1,095,573	\$1,095,573	\$1,213,314	\$117,741
Intergovernmental	130,023	130,023	152,843	22,820
Interest	30,000	30,000	63,549	33,549
Miscellaneous	19,305	41,353	52,216	10,863
<i>Total Revenues</i>	<u>1,274,901</u>	<u>1,296,949</u>	<u>1,481,922</u>	<u>184,973</u>
<b>Expenditures:</b>				
Current:				
General Government				
Other	32,000	57,048	44,238	12,810
Debt Service:				
Principal Retirement	1,105,618	5,957,235	5,831,096	126,139
Interest and Fiscal Charges	1,220,566	1,125,257	1,030,925	94,332
Bond Issuance Costs	0	207,712	199,178	8,534
<i>Total Debt Service</i>	<u>2,326,184</u>	<u>7,290,204</u>	<u>7,061,199</u>	<u>229,005</u>
<i>Total Expenditures</i>	<u>2,358,184</u>	<u>7,347,252</u>	<u>7,105,437</u>	<u>241,815</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,083,283)</u>	<u>(6,050,303)</u>	<u>(5,623,515)</u>	<u>426,788</u>
<b>Other Financing Sources (Uses):</b>				
Bonds Issued	0	4,970,000	4,970,000	0
Discount on Bonds Issued	0	(46,857)	(46,857)	0
Notes Issued	0	4,755,000	4,755,000	0
Payment to Refunded Bond				
Escrow Agent	0	(4,715,431)	(4,715,431)	0
Transfers In	972,168	1,092,223	692,342	(399,881)
<i>Total Other Financing Sources (Uses)</i>	<u>972,168</u>	<u>6,054,935</u>	<u>5,655,054</u>	<u>(399,881)</u>
<i>Net Change in Fund Balance</i>	(111,115)	4,632	31,539	26,907
<i>Fund Balance Beginning of Year</i>	<u>188,401</u>	<u>188,401</u>	<u>188,401</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$77,286</u></u>	<u><u>\$193,033</u></u>	<u><u>\$219,940</u></u>	<u><u>\$26,907</u></u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Capital Improvements Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$2,625,080	\$2,625,080	\$620,578	(\$2,004,502)
Miscellaneous	0	6,099	6,099	0
<i>Total Revenues</i>	<u>2,625,080</u>	<u>2,631,179</u>	<u>626,677</u>	<u>(2,004,502)</u>
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	3,800,050	4,352,289	2,458,549	1,893,740
Capital Outlay	1,644,707	1,649,707	605,810	1,043,897
<i>Total Capital Outlay</i>	<u>5,444,757</u>	<u>6,001,996</u>	<u>3,064,359</u>	<u>2,937,637</u>
Debt Service:				
Principal Retirement	0	1,160,000	1,160,000	0
Interest and Fiscal Charges	0	52,200	52,200	0
Bond Issuance Costs	0	67,732	61,759	5,973
<i>Total Debt Service</i>	<u>0</u>	<u>1,279,932</u>	<u>1,273,959</u>	<u>5,973</u>
<i>Total Expenditures</i>	<u>5,444,757</u>	<u>7,281,928</u>	<u>4,338,318</u>	<u>2,943,610</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,819,677)</u>	<u>(4,650,749)</u>	<u>(3,711,641)</u>	<u>939,108</u>
<b>Other Financing Sources (Uses):</b>				
Bonds Issued	0	1,280,000	1,280,000	0
Notes Issued	0	550,000	550,000	0
Premium on Bonds Issued	0	1,072	1,072	0
ODOT-SIB Loans Received	108,115	108,115	108,115	0
OPWC Loans Received	149,457	149,457	149,457	0
Transfers In	864,398	864,398	799,976	(64,422)
Transfers Out	(100,000)	(100,000)	(100,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,021,970</u>	<u>2,853,042</u>	<u>2,788,620</u>	<u>(64,422)</u>
<i>Net Change in Fund Balance</i>	<u>(1,797,707)</u>	<u>(1,797,707)</u>	<u>(923,021)</u>	<u>874,686</u>
<i>Fund Balance Beginning of Year</i>	<u>1,558,970</u>	<u>1,558,970</u>	<u>1,558,970</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>241,681</u>	<u>241,681</u>	<u>241,681</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,944</u>	<u>\$2,944</u>	<u>\$877,630</u>	<u>\$874,686</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Non - GAAP Basis)*  
**Water Works Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$8,361,895	\$8,355,895	\$7,855,270	(\$500,625)
OWDA Loans Received	2,500,000	2,500,000	737,554	(1,762,446)
Interest	35,000	35,000	49,630	14,630
Miscellaneous	46,030	46,030	40,230	(5,800)
<i>Total Revenues</i>	<u>10,942,925</u>	<u>10,936,925</u>	<u>8,682,684</u>	<u>(2,254,241)</u>
<b>Expenses:</b>				
Personal Services	3,682,124	3,785,377	3,792,125	(6,748)
Contractual Services	899,939	898,439	809,310	89,129
Materials and Supplies	854,373	985,090	892,685	92,405
Basic Utilities	637,500	653,500	661,188	(7,688)
Capital Outlay	2,733,765	2,802,965	1,328,195	1,474,770
Other Expense	233,948	237,848	150,187	87,661
Debt Service:				
Principal Retirement	979,183	1,002,533	1,002,532	1
Interest and Fiscal Charges	855,932	836,965	836,963	2
<i>Total Expenses</i>	<u>10,876,764</u>	<u>11,202,717</u>	<u>9,473,185</u>	<u>1,729,532</u>
<i>Excess of Revenues Over (Under) Expenses</i>	66,161	(265,792)	(790,501)	(524,709)
Advances In	0	0	640,000	640,000
Advances Out	0	(116,000)	(116,000)	0
<i>Excess of Revenues and Advances Over (Under) Expenses</i>	66,161	(381,792)	(266,501)	115,291
<i>Fund Equity Beginning of Year</i>	2,643,944	2,643,944	2,643,944	0
Prior Year Encumbrances Appropriated	233,675	233,675	233,675	0
<i>Fund Equity End of Year</i>	<u>\$2,943,780</u>	<u>\$2,495,827</u>	<u>\$2,611,118</u>	<u>\$115,291</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Non - GAAP Basis)*  
**Water Pollution Control Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$10,669,619	\$10,669,619	\$10,648,648	(\$20,971)
OWDA Loans Received	1,668,650	15,443,650	16,128,342	684,692
Capital Lease	0	0	318,287	(318,287)
Intergovernmental	0	225,000	214,276	(10,724)
Interest	37,000	37,000	60,595	23,595
Miscellaneous	22,733	22,733	31,512	8,779
<i>Total Revenues</i>	<u>12,398,002</u>	<u>26,398,002</u>	<u>27,401,660</u>	<u>1,003,658</u>
<b>Expenses:</b>				
Personal Services	4,066,009	4,229,164	4,312,695	(83,531)
Contractual Services	2,274,280	1,962,568	1,047,635	914,933
Materials and Supplies	555,708	607,108	587,669	19,439
Basic Utilities	731,000	731,000	752,976	(21,976)
Capital Outlay	2,894,400	16,259,900	18,324,564	(2,064,664)
Other Operating Expense	677,201	877,321	662,259	215,062
Debt Service:				
Principal Retirement	1,452,554	1,759,823	1,759,822	1
Interest and Fiscal Charges	859,114	907,326	907,325	1
<i>Total Expenses</i>	<u>13,510,266</u>	<u>27,334,210</u>	<u>28,354,945</u>	<u>(1,020,735)</u>
<i>Excess of Revenues Under Expenses</i>	(1,112,264)	(936,208)	(953,285)	(17,077)
Advances Out	(640,000)	(640,000)	(640,000)	0
<i>Excess of Revenues Under Expenses and Advances</i>	(1,752,264)	(1,576,208)	(1,593,285)	(17,077)
<i>Fund Equity Beginning of Year</i>	3,558,139	3,558,139	3,558,139	0
Prior Year Encumbrances Appropriated	1,267,007	1,267,007	1,267,007	0
<i>Fund Equity End of Year</i>	<u>\$3,072,882</u>	<u>\$3,248,938</u>	<u>\$3,231,861</u>	<u>(\$17,077)</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Streets Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$2,410,000	\$2,410,000	\$2,309,998	(\$100,002)
Other	5,500	5,500	40,204	34,704
<i>Total Revenues</i>	<u>2,415,500</u>	<u>2,415,500</u>	<u>2,350,202</u>	<u>(65,298)</u>
<b>Expenditures:</b>				
Current:				
Transportation				
Wages and Benefits	1,500,781	1,361,626	1,377,387	(15,761)
Contractual Services	59,000	59,000	57,411	1,589
Materials and Supplies	824,125	957,125	1,054,569	(97,444)
Capital Outlay	120,000	1,017,171	1,017,169	2
Other	19,800	19,800	17,594	2,206
<i>Total Transportation</i>	<u>2,523,706</u>	<u>3,414,722</u>	<u>3,524,130</u>	<u>(109,408)</u>
Debt Service:				
Principal Retirement	244,981	244,981	244,981	0
Interest and Fiscal Charges	37,581	49,793	49,792	1
<i>Total Debt Service</i>	<u>282,562</u>	<u>294,774</u>	<u>294,773</u>	<u>1</u>
<i>Total Expenditures</i>	<u>2,806,268</u>	<u>3,709,496</u>	<u>3,818,903</u>	<u>(109,407)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(390,768)</u>	<u>(1,293,996)</u>	<u>(1,468,701)</u>	<u>(174,705)</u>
<b>Other Financing Sources (Uses):</b>				
Capital Leases	0	900,000	900,000	0
Transfers In	250,000	250,000	512,625	262,625
Transfers Out	(248,548)	(252,856)	(104,976)	147,880
<i>Total Other Financing Sources (Uses)</i>	<u>1,452</u>	<u>897,144</u>	<u>1,307,649</u>	<u>410,505</u>
<i>Net Change in Fund Balance</i>	(389,316)	(396,852)	(161,052)	235,800
<i>Fund Balance Beginning of Year</i>	351,685	351,685	351,685	0
Prior Year Encumbrances Appropriated	61,442	61,442	61,442	0
<i>Fund Balance End of Year</i>	<u>\$23,811</u>	<u>\$16,275</u>	<u>\$252,075</u>	<u>\$235,800</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Permissive License Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$260,000	\$260,000	\$255,714	(\$4,286)
<b>Expenditures:</b>				
Current:				
Transportation				
Materials and Supplies	181,135	285,968	279,095	6,873
<i>Excess of Revenues Over (Under) Expenditures</i>	78,865	(25,968)	(23,381)	2,587
<b>Other Financing Uses:</b>				
Transfers Out	(100,000)	(100,000)	(100,000)	0
<i>Net Change in Fund Balance</i>	(21,135)	(125,968)	(123,381)	2,587
<i>Fund Balance Beginning of Year</i>	115,586	115,586	115,586	0
Prior Year Encumbrances Appropriated	11,135	11,135	11,135	0
<i>Fund Balance End of Year</i>	<u>\$105,586</u>	<u>\$753</u>	<u>\$3,340</u>	<u>\$2,587</u>



**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Health Services Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Charges for Services	\$560,300	\$560,300	\$452,296	(\$108,004)
Licenses and Permits	300,815	300,815	278,850	(21,965)
Intergovernmental	420,819	454,060	427,805	(26,255)
<i>Total Revenues</i>	<u>1,281,934</u>	<u>1,315,175</u>	<u>1,158,951</u>	<u>(156,224)</u>
<b>Expenditures:</b>				
Current:				
Public Health and Welfare				
Wages and Benefits	1,430,885	1,370,419	1,328,610	41,809
Contractual Services	241,126	304,267	275,419	28,848
Materials and Supplies	32,104	32,104	22,404	9,700
Other	55,805	55,805	48,929	6,876
<i>Total Public Health and Welfare</i>	<u>1,759,920</u>	<u>1,762,595</u>	<u>1,675,362</u>	<u>87,233</u>
Debt Service:				
Principal Retirement	3,122	3,122	3,122	0
Interest and Fiscal Charges	1,468	1,468	1,468	0
<i>Total Debt Service</i>	<u>4,590</u>	<u>4,590</u>	<u>4,590</u>	<u>0</u>
<i>Total Expenditures</i>	<u>1,764,510</u>	<u>1,767,185</u>	<u>1,679,952</u>	<u>87,233</u>
<i>Excess of Revenues Under Expenditures</i>	(482,576)	(452,010)	(521,001)	(68,991)
<b>Other Financing Sources:</b>				
Transfers In	489,273	489,273	516,089	26,816
<i>Net Change in Fund Balance</i>	6,697	37,263	(4,912)	(42,175)
<i>Fund Balance Beginning of Year</i>	4,270	4,270	4,270	0
Prior Year Encumbrances Appropriated	642	642	642	0
<i>Fund Balance End of Year</i>	<u>\$11,609</u>	<u>\$42,175</u>	<u>\$0</u>	<u>(\$42,175)</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Litter Control Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$401,690	\$401,690	\$401,690	\$0
<b>Expenditures:</b>				
<b>Current:</b>				
Community Environment				
Contractual Services	0	2,000	2,000	0
Materials and Supplies	12,000	10,000	9,830	170
Capital Outlay	521,517	521,517	520,927	590
<i>Total Expenditures</i>	533,517	533,517	532,757	760
<i>Net Change in Fund Balance</i>	(131,827)	(131,827)	(131,067)	760
<i>Fund Balance Beginning of Year</i>	131,827	131,827	131,827	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$760	\$760

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Police Levy Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal Income Taxes	\$2,003,092	\$2,054,492	\$2,328,282	\$273,790
Intergovernmental	121,599	121,599	148,556	26,957
Miscellaneous	2,000	4,137	6,950	2,813
<i>Total Revenues</i>	<u>2,126,691</u>	<u>2,180,228</u>	<u>2,483,788</u>	<u>303,560</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Wages and Benefits	1,465,949	1,526,871	1,521,102	5,769
Contractual Services	76,518	78,643	59,203	19,440
Materials and Supplies	288,127	286,002	257,111	28,891
Capital Outlay	696,003	698,140	592,975	105,165
Other	130,967	121,547	102,775	18,772
<i>Total Security of Persons and Property</i>	<u>2,657,564</u>	<u>2,711,203</u>	<u>2,533,166</u>	<u>178,037</u>
Debt Service:				
Principal Retirement	160,000	160,000	160,000	0
Interest and Fiscal Charges	129,836	129,836	129,835	1
<i>Total Debt Service</i>	<u>289,836</u>	<u>289,836</u>	<u>289,835</u>	<u>1</u>
<i>Total Expenditures</i>	<u>2,947,400</u>	<u>3,001,039</u>	<u>2,823,001</u>	<u>178,038</u>
<i>Net Change in Fund Balance</i>	(820,709)	(820,811)	(339,213)	481,598
<i>Fund Balance Beginning of Year</i>	1,269,182	1,269,182	1,269,182	0
Prior Year Encumbrances Appropriated	42,092	42,092	42,092	0
<i>Fund Balance End of Year</i>	<u><u>\$490,565</u></u>	<u><u>\$490,463</u></u>	<u><u>\$972,061</u></u>	<u><u>\$481,598</u></u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Mandatory Drug Fund**  
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Fines and Forfeitures	\$20,000	\$20,000	\$13,224	(\$6,776)
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Other	<u>20,000</u>	<u>20,000</u>	<u>16,050</u>	<u>3,950</u>
<i>Net Change in Fund Balance</i>	0	0	(2,826)	(2,826)
<i>Fund Balance Beginning of Year</i>	<u>14,719</u>	<u>14,719</u>	<u>14,719</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$14,719</u></u>	<u><u>\$14,719</u></u>	<u><u>\$11,893</u></u>	<u><u>(\$2,826)</u></u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Police Pension Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$314,068	\$314,068	\$296,434	(\$17,634)
Intergovernmental	36,107	36,107	34,707	(1,400)
<i>Total Revenues</i>	<u>350,175</u>	<u>350,175</u>	<u>331,141</u>	<u>(19,034)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Wages and Benefits	<u>46,397</u>	<u>46,397</u>	<u>0</u>	<u>46,397</u>
Debt Service:				
Principal Retirement	21,000	21,000	21,000	0
Interest and Fiscal Charges	<u>31,038</u>	<u>31,038</u>	<u>31,038</u>	<u>0</u>
<i>Total Debt Service</i>	<u>52,038</u>	<u>52,038</u>	<u>52,038</u>	<u>0</u>
<i>Total Expenditures</i>	<u>98,435</u>	<u>98,435</u>	<u>52,038</u>	<u>46,397</u>
<i>Net Change in Fund Balance</i>	251,740	251,740	279,103	27,363
<i>Fund Balance Beginning of Year</i>	<u>481,661</u>	<u>481,661</u>	<u>481,661</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$733,401</u></u>	<u><u>\$733,401</u></u>	<u><u>\$760,764</u></u>	<u><u>\$27,363</u></u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Fire Pension Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$305,399	\$305,399	\$328,514	\$23,115
Intergovernmental	37,508	37,508	34,707	(2,801)
<i>Total Revenues</i>	<u>342,907</u>	<u>342,907</u>	<u>363,221</u>	<u>20,314</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Wages and Benefits	37,728	37,728	0	37,728
Debt Service:				
Principal Retirement	39,000	39,000	39,000	0
Interest and Fiscal Charges	57,643	57,643	57,643	0
<i>Total Debt Service</i>	<u>96,643</u>	<u>96,643</u>	<u>96,643</u>	<u>0</u>
<i>Total Expenditures</i>	<u>134,371</u>	<u>134,371</u>	<u>96,643</u>	<u>37,728</u>
<i>Net Change in Fund Balance</i>	208,536	208,536	266,578	58,042
<i>Fund Balance Beginning of Year</i>	<u>369,357</u>	<u>369,357</u>	<u>369,357</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$577,893</u></u>	<u><u>\$577,893</u></u>	<u><u>\$635,935</u></u>	<u><u>\$58,042</u></u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Indigent Drivers Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$15,000	\$15,000	\$17,774	\$2,774
<b>Expenditures:</b>				
Current:				
General Government				
Contractual Services	30,117	30,117	9,417	20,700
<i>Net Change in Fund Balance</i>	(15,117)	(15,117)	8,357	23,474
<i>Fund Balance Beginning of Year</i>	133,855	133,855	133,855	0
Prior Year Encumbrances Appropriated	5,117	5,117	5,117	0
<i>Fund Balance End of Year</i>	<u>\$123,855</u>	<u>\$123,855</u>	<u>\$147,329</u>	<u>\$23,474</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Park Land Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Intergovernmental	\$0	\$25,230	\$0	(\$25,230)
Miscellaneous	100,000	100,000	95,025	(4,975)
<b>Total Revenues</b>	<b>100,000</b>	<b>125,230</b>	<b>95,025</b>	<b>(30,205)</b>
<b>Expenditures:</b>				
Current:				
Leisure Time Activities				
Contractual Services	9,000	39,030	37,202	1,828
Capital Outlay	65,583	60,783	1,300	59,483
<b>Total Expenditures</b>	<b>74,583</b>	<b>99,813</b>	<b>38,502</b>	<b>61,311</b>
<i>Excess of Revenues Over Expenditures</i>	<u>25,417</u>	<u>25,417</u>	<u>56,523</u>	<u>31,106</u>
<b>Other Financing Sources (Uses):</b>				
Installment Loans Received	200,000	200,000	200,000	0
Transfers Out	(250,000)	(250,000)	(250,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(24,583)</b>	<b>(24,583)</b>	<b>6,523</b>	<b>31,106</b>
<b>Fund Balance Beginning of Year</b>	<u>24,583</u>	<u>24,583</u>	<u>24,583</u>	<u>0</u>
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$31,106</u></u>	<u><u>\$31,106</u></u>



**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Cemetery Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Total Revenues</b>	\$0	\$0	\$0	\$0
Expenditures:				
Current:				
Public Health and Welfare				
Contractual Services	12,860	12,860	7,900	4,960
<b>Net Change in Fund Balance</b>	(12,860)	(12,860)	(7,900)	4,960
<b>Fund Balance Beginning of Year</b>	12,860	12,860	12,860	0
<b>Fund Balance End of Year</b>	\$0	\$0	\$4,960	\$4,960

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Law Enforcement Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$75,000	\$75,000	\$447,806	\$372,806
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Other	250,000	250,000	229,192	20,808
<i>Net Change in Fund Balance</i>	(175,000)	(175,000)	218,614	393,614
<i>Fund Balance Beginning of Year</i>	641,234	641,234	641,234	0
<i>Fund Balance End of Year</i>	<u>\$466,234</u>	<u>\$466,234</u>	<u>\$859,848</u>	<u>\$393,614</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Municipal Court Computer Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$150,000	\$150,000	\$113,689	(\$36,311)
<b>Expenditures:</b>				
Current:				
General Government				
Wages and Benefits	63,997	65,231	65,427	(196)
Contractual Services	13,314	13,314	4,255	9,059
Materials and Supplies	3,500	3,500	1,000	2,500
Capital Outlay	59,760	59,760	53,053	6,707
Other	8,000	8,000	515	7,485
<i>Total Expenditures</i>	<u>148,571</u>	<u>149,805</u>	<u>124,250</u>	<u>25,555</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,429	195	(10,561)	(10,756)
<b>Other Financing Uses:</b>				
Transfers Out	(10,059)	(10,059)	(10,059)	0
<i>Net Change in Fund Balance</i>	(8,630)	(9,864)	(20,620)	(10,756)
<i>Fund Balance Beginning of Year</i>	324,859	324,859	324,859	0
Prior Year Encumbrances Appropriated	<u>3,408</u>	<u>3,408</u>	<u>3,408</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$319,637</u></u>	<u><u>\$318,403</u></u>	<u><u>\$307,647</u></u>	<u><u>(\$10,756)</u></u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Legal Research Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Fines and Forfeitures	\$45,000	\$45,000	\$34,695	(\$10,305)
<b>Expenditures:</b>				
Current:				
General Government				
Capital Outlay	38,807	38,807	38,807	0
<i>Excess of Revenues Over (Under) Expenditures</i>	6,193	6,193	(4,112)	(10,305)
<b>Other Financing Uses:</b>				
Transfers Out	(3,030)	(3,030)	(3,029)	1
<i>Net Change in Fund Balance</i>	3,163	3,163	(7,141)	(10,304)
<i>Fund Balance Beginning of Year</i>	57,519	57,519	57,519	0
Prior Year Encumbrances Appropriated	13,807	13,807	13,807	0
<i>Fund Balance End of Year</i>	<u>\$74,489</u>	<u>\$74,489</u>	<u>\$64,185</u>	<u>(\$10,304)</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Municipal Court Security Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$50,000	\$50,000	\$39,369	(\$10,631)
<b>Expenditures:</b>				
Current:				
General Government				
Wages and Benefits	79,338	77,407	71,655	5,752
Capital Outlay	3,630	3,630	0	3,630
<i>Total Expenditures</i>	<u>82,968</u>	<u>81,037</u>	<u>71,655</u>	<u>9,382</u>
<i>Net Change in Fund Balance</i>	(32,968)	(31,037)	(32,286)	(1,249)
<i>Fund Balance Beginning of Year</i>	<u>60,768</u>	<u>60,768</u>	<u>60,768</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$27,800</u></u>	<u><u>\$29,731</u></u>	<u><u>\$28,482</u></u>	<u><u>(\$1,249)</u></u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Municipal Court Probation Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$45,000	\$45,000	\$72,846	\$27,846
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Wages and Benefits	57,137	61,749	61,929	(180)
<i>Net Change in Fund Balance</i>	(12,137)	(16,749)	10,917	27,666
<i>Fund Balance Beginning of Year</i>	26,444	26,444	26,444	0
<i>Fund Balance End of Year</i>	\$14,307	\$9,695	\$37,361	\$27,666

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Special Assessment Bond Retirement Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Special Assessments	\$85,000	\$85,000	\$71,842	(\$13,158)
<b>Expenditures:</b>				
Current:				
General Government				
Other	5,600	5,600	443	5,157
Debt Service:				
Principal Retirement	97,705	97,705	97,705	0
Interest and Fiscal Charges	34,319	34,319	34,318	1
<i>Total Debt Service</i>	132,024	132,024	132,023	1
<i>Total Expenditures</i>	137,624	137,624	132,466	5,158
<i>Excess of Revenues Under Expenditures</i>	(52,624)	(52,624)	(60,624)	(8,000)
<b>Other Financing Sources:</b>				
Transfers In	60,500	60,500	60,624	124
<i>Net Change in Fund Balance</i>	7,876	7,876	0	(7,876)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$7,876	\$7,876	\$0	(\$7,876)

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**General Sewer Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$465,000	\$465,000	\$482,054	\$17,054
Intergovernmental	0	114,445	159,690	45,245
<i>Total Revenues</i>	<u>465,000</u>	<u>579,445</u>	<u>641,744</u>	<u>62,299</u>
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	323,021	435,166	240,521	194,645
Capital Outlay	222,500	224,800	224,660	140
Other	25,000	25,000	0	25,000
<i>Total Capital Outlay</i>	<u>570,521</u>	<u>684,966</u>	<u>465,181</u>	<u>219,785</u>
Debt Service:				
Principal Retirement	46,855	46,855	46,855	0
Interest and Fiscal Charges	12,804	12,804	12,804	0
<i>Total Debt Service</i>	<u>59,659</u>	<u>59,659</u>	<u>59,659</u>	<u>0</u>
<i>Total Expenditures</i>	<u>630,180</u>	<u>744,625</u>	<u>524,840</u>	<u>219,785</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(165,180)	(165,180)	116,904	282,084
<b>Other Financing Uses:</b>				
Transfers Out	(225,000)	(225,000)	(225,000)	0
<i>Net Change in Fund Balance</i>	(390,180)	(390,180)	(108,096)	282,084
<i>Fund Balance Beginning of Year</i>	396,828	396,828	396,828	0
Prior Year Encumbrances Appropriated	23,393	23,393	23,393	0
<i>Fund Balance End of Year</i>	<u>\$30,041</u>	<u>\$30,041</u>	<u>\$312,125</u>	<u>\$282,084</u>



**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Lighthouse Urban Renewal Fund**  
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Interest	\$2,000	\$2,000	\$6,616	\$4,616
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	350,369	350,369	257,489	92,880
<i>Net Change in Fund Balance</i>	(348,369)	(348,369)	(250,873)	97,496
<i>Fund Balance Beginning of Year</i>	350,369	350,369	350,369	0
<i>Fund Balance End of Year</i>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$99,496</u>	<u>\$97,496</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Riverfront Urban Renewal Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Interest	\$12,500	\$12,500	\$12,102	(\$398)
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	277,563	277,563	86,371	191,192
<i>Net Change in Fund Balance</i>	(265,063)	(265,063)	(74,269)	190,794
<i>Fund Balance Beginning of Year</i>	199,345	199,345	199,345	0
Prior Year Encumbrances Appropriated	82,978	82,978	82,978	0
<i>Fund Balance End of Year</i>	<u>\$17,260</u>	<u>\$17,260</u>	<u>\$208,054</u>	<u>\$190,794</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Municipal Court Improvements Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$73,100	\$73,100	\$56,926	(\$16,174)
Interest	500	500	1,165	665
<i>Total Revenues</i>	<u>73,600</u>	<u>73,600</u>	<u>58,091</u>	<u>(15,509)</u>
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	9,163	9,163	6,782	2,381
Capital Outlay	123,625	123,625	33,392	90,233
<i>Total Expenditures</i>	<u>132,788</u>	<u>132,788</u>	<u>40,174</u>	<u>92,614</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(59,188)	(59,188)	17,917	77,105
<b>Other Financing Uses:</b>				
Transfers Out	(3,000)	(3,000)	(3,000)	0
<i>Net Change in Fund Balance</i>	(62,188)	(62,188)	14,917	77,105
<i>Fund Balance Beginning of Year</i>	169,802	169,802	169,802	0
Prior Year Encumbrances Appropriated	20,038	20,038	20,038	0
<i>Fund Balance End of Year</i>	<u>\$127,652</u>	<u>\$127,652</u>	<u>\$204,757</u>	<u>\$77,105</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Non - GAAP Basis)*  
**Garage Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$1,760,000	\$1,882,600	\$1,873,251	(\$9,349)
<b>Expenses:</b>				
Wages and Benefits	608,032	621,332	629,300	(7,968)
Contractual Services	2,200	1,700	1,560	140
Materials and Supplies	969,895	1,079,195	1,063,814	15,381
Other	3,100	3,600	3,546	54
Debt Service:				
Principal Retirement	17,276	17,276	17,276	0
Interest and Fiscal Charges	8,127	8,127	8,126	1
<i>Total Expenses</i>	<u>1,608,630</u>	<u>1,731,230</u>	<u>1,723,622</u>	<u>7,608</u>
<i>Excess of Revenues Over Expenses</i>	151,370	151,370	149,629	(1,741)
Advances Out	<u>(167,158)</u>	<u>(167,158)</u>	<u>(167,157)</u>	<u>1</u>
<i>Excess of Revenues Under Expenses and Advances</i>	(15,788)	(15,788)	(17,528)	(1,740)
<i>Fund Equity Beginning of Year</i>	1,740	1,740	1,740	0
Prior Year Encumbrances Appropriated	<u>15,788</u>	<u>15,788</u>	<u>15,788</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$1,740</u></u>	<u><u>\$1,740</u></u>	<u><u>\$0</u></u>	<u><u>(\$1,740)</u></u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Non - GAAP Basis)*  
**Hospitalization Fund**  
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$3,995,120	\$4,458,110	\$4,636,525	\$178,415
Miscellaneous	10,000	10,000	13,093	3,093
<i>Total Revenues</i>	<u>4,005,120</u>	<u>4,468,110</u>	<u>4,649,618</u>	<u>181,508</u>
<b>Expenses:</b>				
Wages and Benefits	21,220	21,761	21,809	(48)
Claims	3,989,632	4,452,622	4,700,100	(247,478)
Other	2,000	2,000	0	2,000
<i>Total Expenses</i>	<u>4,012,852</u>	<u>4,476,383</u>	<u>4,721,909</u>	<u>(245,526)</u>
Net Change in Fund Equity	(7,732)	(8,273)	(72,291)	(64,018)
<i>Fund Equity Beginning of Year</i>	441,414	441,414	441,414	0
Prior Year Encumbrances Appropriated	<u>7,732</u>	<u>7,732</u>	<u>7,732</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$441,414</u></u>	<u><u>\$440,873</u></u>	<u><u>\$376,855</u></u>	<u><u>(\$64,018)</u></u>



# Statistical Section

This part of the City of Lorain, Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>S2-S9</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax, and the municipal income tax.	<b>S10-S19</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>S20-S29</b>
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>S30-S33</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	<b>S34-S41</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

## City of Lorain, Ohio

### Net Assets by Components

Last Five Years

*(accrual basis of accounting)*

	2007	2006	2005	2004	2003
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$97,026,059	\$112,337,952	\$124,391,028	\$138,745,022	\$150,062,168
Restricted for:					
Capital Projects	1,235,939	1,377,196	1,414,714	4,745,648	10,820,008
Debt Service	833,898	778,135	468,373	713,569	603,071
Community Development	24,612,268	21,519,172	25,355,904	26,814,060	21,419,946
Police Levy	1,090,098	1,416,719	1,307,190	1,092,777	736,023
Streets	1,022,586	1,126,833	0	0	0
Law Enforcement	852,094	641,234	566,094	644,543	682,726
Municipal Court Computer	0	0	372,059	362,490	385,292
Capital Leases	991,591	0	0	0	0
Other Purposes	753,219	1,273,910	2,560,789	1,169,003	1,261,914
Unrestricted (Deficit)	<u>(1,775,323)</u>	<u>(2,382,357)</u>	<u>(3,124,749)</u>	<u>(5,195,260)</u>	<u>(8,307,276)</u>
<i>Total Governmental Activities Net Assets</i>	<u>126,642,429</u>	<u>138,088,794</u>	<u>153,311,402</u>	<u>169,091,852</u>	<u>177,663,872</u>
<b>Business-Type Activities</b>					
Invested in Capital Assets, Net of Related Debt	42,339,183	38,814,751	37,679,295	36,496,435	35,322,403
Restricted for:					
Debt Service	2,662,538	2,621,486	2,572,039	2,485,022	0
Community Development	0	0	0	0	0
Replacement and Improvement	300,000	300,000	300,000	300,000	300,000
Utility Reserve	1,305,744	334,744	1,305,744	1,468,618	1,364,750
Unrestricted	<u>4,389,634</u>	<u>5,065,097</u>	<u>3,742,237</u>	<u>2,453,020</u>	<u>5,311,253</u>
<i>Total Business-Type Activities Net Assets</i>	<u>50,997,099</u>	<u>47,136,078</u>	<u>45,599,315</u>	<u>43,203,095</u>	<u>42,298,406</u>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	139,365,242	151,152,703	171,228,705	175,241,457	185,384,571
Restricted	35,659,975	31,389,429	36,222,906	39,795,730	37,573,730
Unrestricted (Deficit)	<u>2,614,311</u>	<u>2,682,740</u>	<u>(8,540,894)</u>	<u>(2,742,240)</u>	<u>(2,996,023)</u>
<i>Total Primary Government Net Assets</i>	<u>\$177,639,528</u>	<u>\$185,224,872</u>	<u>\$198,910,717</u>	<u>\$212,294,947</u>	<u>\$219,962,278</u>



**City of Lorain, Ohio**  
**Changes in Net Assets**  
**Last Five Years**  
*(accrual basis of accounting)*

<b>Program Revenues</b>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Governmental Activities:</b>					
Charges for Services:					
General Government	\$1,573,146	\$1,870,561	\$2,161,128	\$2,707,135	\$864,905
Security of Persons and Property	732,371	527,665	385,001	383,545	1,730,009
Transportation	42,063	31,289	0	0	0
Public Health	1,410,674	1,540,597	808,413	760,541	972,093
Community Environment	651,875	925,482	730,199	784,024	48,534
Economic Development	151,841	103,089	0	0	0
Leisure Time Activities	80,801	37,760	27,048	27,514	105,093
Subtotal Charges for Services	<u>4,642,771</u>	<u>5,036,443</u>	<u>4,111,789</u>	<u>4,662,759</u>	<u>3,720,634</u>
Operating Grants and Contributions:					
General Government	176,343	0	25,028	27,153	25,028
Security of Persons and Property	244,034	351,582	58,354	214,611	101,702
Transportation	2,604,665	2,504,273	2,516,671	2,352,792	2,106,496
Public Health	489,943	404,635	492,717	442,083	473,448
Community Environment	401,690	224,690	211,784	140,000	159,999
Economic Development	5,295,601	2,751,887	2,908,573	6,195,473	3,736,482
Subtotal Operating Grants and Contributions	<u>9,212,276</u>	<u>6,237,067</u>	<u>6,213,127</u>	<u>9,372,112</u>	<u>6,603,155</u>
Capital Grants and Contributions:					
Transportation	752,315	1,741,684	935,158	1,717,034	4,035,632
Public Health	159,690	0	0	0	0
Economic Development	0	0	0	0	500,000
Subtotal Capital Grants and Contributions	<u>912,005</u>	<u>1,741,684</u>	<u>935,158</u>	<u>1,717,034</u>	<u>4,535,632</u>
<b>Total Governmental Activities Program Revenues</b>	<u>14,767,052</u>	<u>13,015,194</u>	<u>11,260,074</u>	<u>15,751,905</u>	<u>14,859,421</u>
<b>Business-Type Activities:</b>					
Charges for Services:					
Water Works	7,925,938	8,145,916	8,528,739	8,306,689	8,211,209
Water Pollution Control	10,895,096	10,210,893	9,221,532	8,287,136	7,708,227
Capital Grants and Contributions:					
Water Works	0	0	0	0	0
Water Pollution Control	0	225,000	0	0	0
<b>Total Business-Type Activities Program Revenues</b>	<u>18,821,034</u>	<u>18,581,809</u>	<u>17,750,271</u>	<u>16,593,825</u>	<u>15,919,436</u>
<b>Total Primary Government Program Revenues</b>	<u>33,588,086</u>	<u>31,597,003</u>	<u>29,010,345</u>	<u>32,345,730</u>	<u>30,778,857</u>

(continued)

**City of Lorain, Ohio**  
**Changes in Net Assets (continued)**  
**Last Five Years**  
*(accrual basis of accounting)*

<b>Expenses</b>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Governmental Activities:</b>					
General Government	\$12,812,199	\$12,267,533	\$13,003,383	\$11,596,965	\$18,594,382
Security of Persons and Property	19,390,489	18,573,582	19,197,977	17,624,224	20,151,907
Transportation	14,435,681	14,679,897	14,881,296	15,196,365	6,704,576
Public Health	1,995,300	2,018,981	2,030,073	1,799,704	1,985,041
Community Environment	1,104,662	696,834	964,323	671,404	770,420
Economic Development	2,926,740	7,417,102	3,736,841	2,538,197	825,936
Leisure Time Activities	501,112	1,188,751	1,266,922	1,139,638	1,311,140
Intergovernmental	0	0	0	0	18,420
Interest and Fiscal Charges	1,950,140	2,028,001	1,893,394	1,831,945	1,817,193
<b>Total Governmental Activities Expenses</b>	<u>55,116,323</u>	<u>58,870,681</u>	<u>56,974,209</u>	<u>52,398,442</u>	<u>52,179,015</u>
<b>Business-Type Activities:</b>					
Water Works	7,614,864	7,537,738	7,161,733	7,019,598	7,701,592
Water Pollution Control	9,149,590	9,667,949	8,294,509	8,740,898	9,694,280
<b>Total Business-Type Activities Expenses</b>	<u>16,764,454</u>	<u>17,205,687</u>	<u>15,456,242</u>	<u>15,760,496</u>	<u>17,395,872</u>
<b>Total Primary Government Expenses</b>	<u>71,880,777</u>	<u>76,076,368</u>	<u>72,430,451</u>	<u>68,158,938</u>	<u>69,574,887</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	(40,349,271)	(45,855,487)	(45,714,135)	(36,646,537)	(37,319,594)
Business-Type Activities	2,056,580	1,376,122	2,294,029	833,329	(1,476,436)
<b>Total Primary Government Net Expense</b>	<u>(38,292,691)</u>	<u>(44,479,365)</u>	<u>(43,420,106)</u>	<u>(35,813,208)</u>	<u>(38,796,030)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental Activities:</b>					
Taxes:					
Property Taxes Levied For:					
General Purposes	3,379,848	2,621,152	2,858,521	2,832,304	2,831,646
Police Pension	310,780	270,002	291,931	260,833	239,884
Fire Pension	342,860	270,001	279,497	260,833	239,884
Debt Service	1,261,137	1,090,637	1,040,661	953,948	812,483
Municipal Income Taxes Levied For:					
General Purposes	16,308,518	16,809,771	17,087,103	15,163,796	14,211,737
Police Levy	2,296,810	2,367,849	2,484,300	2,488,604	2,346,822
Grants and Entitlements not Restricted to Specific Programs	6,083,171	5,719,663	5,250,113	5,549,380	5,341,015
Investment Earnings	811,699	690,650	274,833	217,102	162,478
Miscellaneous	435,314	793,154	366,726	347,717	814,192
Transfers	(2,327,231)	0	0	0	0
<b>Total Governmental Activities</b>	<u>\$28,902,906</u>	<u>\$30,632,879</u>	<u>\$29,933,685</u>	<u>\$28,074,517</u>	<u>\$27,000,141</u>

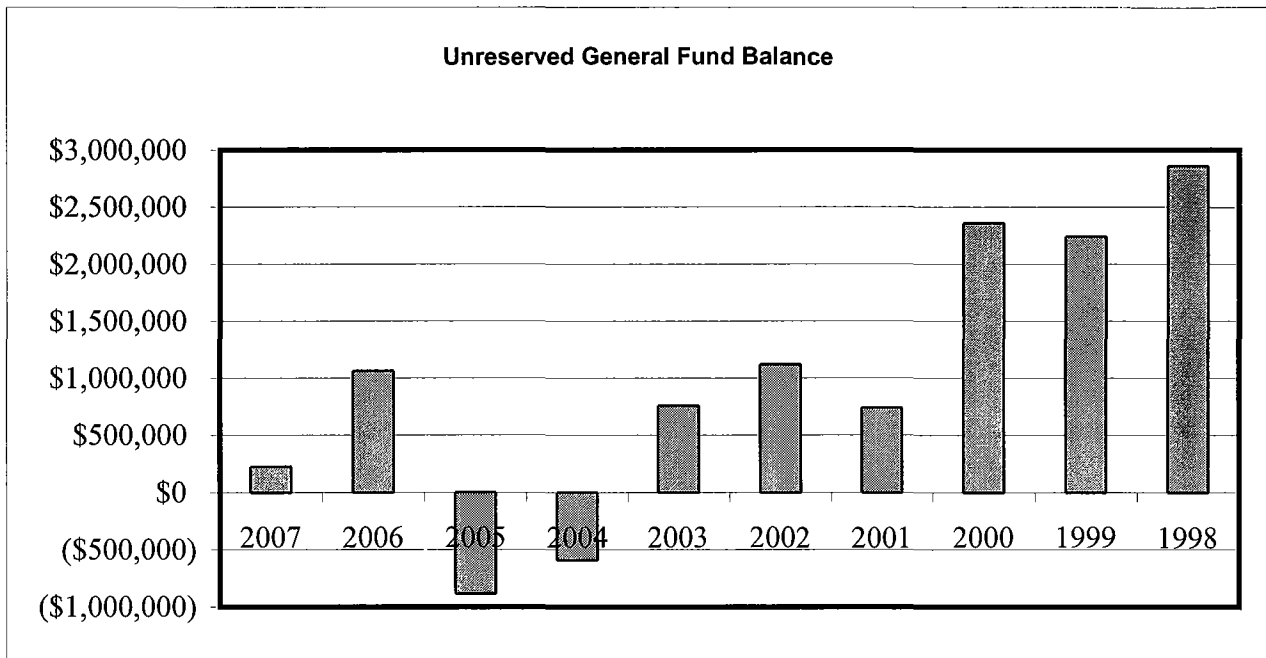
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**City of Lorain, Ohio**  
**Changes in Net Assets (continued)**  
**Last Five Years**  
*(accrual basis of accounting)*

	2007	2006	2005	2004	2003
<b>Business-Type Activities:</b>					
Investment Earnings	\$110,225	\$104,026	\$56,689	\$9,621	\$88,836
Miscellaneous	60,374	56,615	45,502	61,739	58,743
Extraordinary Items	(693,389)	0	0	0	0
Transfers	2,327,231	0	0	0	0
<i>Total Business-Type Activities</i>	<u>1,804,441</u>	<u>160,641</u>	<u>102,191</u>	<u>71,360</u>	<u>147,579</u>
<i>Total Primary Government</i>	<u>30,707,347</u>	<u>30,793,520</u>	<u>30,035,876</u>	<u>28,145,877</u>	<u>27,147,720</u>
<b>Change in Net Assets</b>					
Governmental Activities	(11,446,365)	(15,222,608)	(15,780,450)	(8,572,020)	(10,319,453)
Business-Type Activities	3,861,021	1,536,763	2,396,220	904,689	(1,328,857)
<i>Total Primary Government Change in Net Assets</i>	<u><u>(\$7,585,344)</u></u>	<u><u>(\$13,685,845)</u></u>	<u><u>(\$13,384,230)</u></u>	<u><u>(\$7,667,331)</u></u>	<u><u>(\$11,648,310)</u></u>

**City of Lorain, Ohio**  
**Fund Balances, Governmental Funds**  
**Last Ten Years**  
*(modified accrual basis of accounting)*

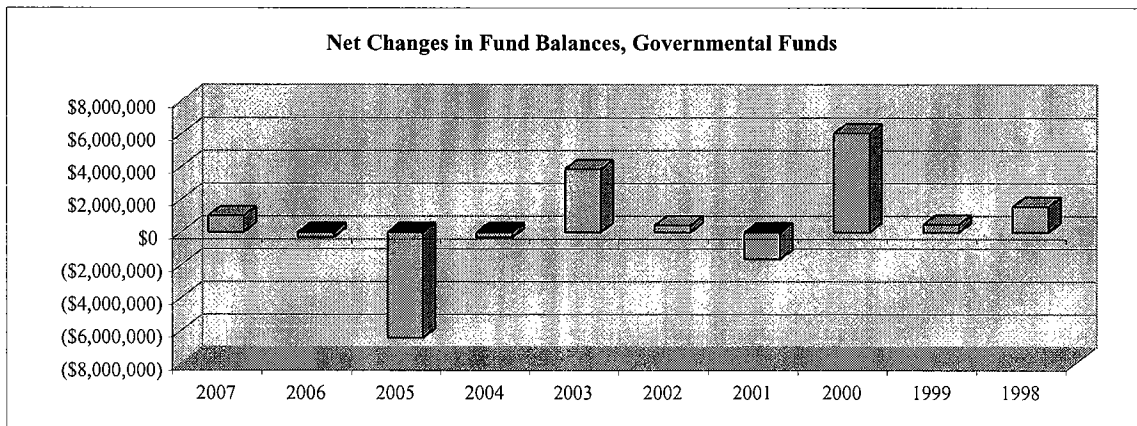
	2007	2006	2005	2004
<b>General Fund</b>				
Reserved	\$687,255	\$168,006	\$659,816	\$80,690
Designated for Capital Acquisitions	525,000	0	600,000	0
Unreserved	88,414	1,061,018	(884,514)	(591,250)
<b>Total General Fund</b>	<b>1,300,669</b>	<b>1,229,024</b>	<b>375,302</b>	<b>(510,560)</b>
<b>All Other Governmental Funds</b>				
Reserved	19,738,819	17,895,624	21,566,305	21,184,019
Undesignated, Reported in:				
Special Revenue funds	6,493,381	7,034,810	4,454,830	5,247,036
Debt Service funds	219,762	188,401	(4,879,317)	213,668
Capital Projects funds	(2,733,331)	(2,337,652)	2,802,085	4,631,159
<b>Total All Other Governmental Funds</b>	<b>23,718,631</b>	<b>22,781,183</b>	<b>23,943,903</b>	<b>31,275,882</b>
<b>Total Governmental Funds</b>	<b>\$25,019,300</b>	<b>\$24,010,207</b>	<b>\$24,319,205</b>	<b>\$30,765,322</b>



2003	2002	2001	2000	1999	1998
\$102,553	\$187,373	\$133,037	\$174,508	\$259,561	\$210,875
0	0	0	0	0	0
(512,337)	109,712	(270,151)	1,961,481	1,842,308	2,411,925
(409,784)	297,085	(137,114)	2,135,989	2,101,869	2,622,800
18,108,163	15,316,367	15,951,299	11,871,733	10,826,644	8,888,251
4,311,495	4,011,279	6,045,194	5,361,983	4,172,718	5,196,871
124,402	35,518	232,339	726,354	187,972	664,995
8,948,048	7,569,861	4,724,622	8,360,691	5,115,114	4,552,017
31,492,108	26,933,025	26,953,454	26,320,761	20,302,448	19,302,134
<u>\$31,082,324</u>	<u>\$27,230,110</u>	<u>\$26,816,340</u>	<u>\$28,456,750</u>	<u>\$22,404,317</u>	<u>\$21,924,934</u>

**City of Lorain, Ohio**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Years**  
*(modified accrual basis of accounting)*

	2007	2006	2005	2004	2003
<b>Revenues</b>					
Property Taxes	\$5,080,063	\$4,489,307	\$4,440,436	\$4,283,640	\$3,908,597
Municipal Income Taxes	18,637,946	19,181,559	19,546,306	17,680,283	16,553,650
Charges for Services	1,411,545	1,623,511	1,419,251	1,343,239	1,247,753
Licenses and Permits <i>(includes fines 2002 and prior)</i>	1,188,733	1,431,398	1,098,063	1,167,853	785,860
Fines and Forfeitures	1,781,036	1,627,837	1,438,755	1,619,879	1,658,464
Intergovernmental	13,432,851	15,915,009	13,260,054	16,814,124	12,104,895
Special Assessments	71,842	82,614	73,280	122,704	174,799
Interest	811,699	690,650	274,833	217,102	162,478
Miscellaneous	425,077	790,843	359,769	338,478	814,192
<b>Total Revenues</b>	<b>42,840,792</b>	<b>45,832,728</b>	<b>41,910,747</b>	<b>43,587,302</b>	<b>37,410,688</b>
<b>Expenditures</b>					
Current:					
General Government	8,817,909	7,783,356	10,178,686	7,472,394	6,772,792
Security of Persons and Property	19,449,378	19,158,303	18,735,767	18,334,999	16,750,969
Transportation	3,284,017	2,770,818	3,002,534	2,261,567	2,578,166
Public Health	1,992,874	2,007,742	2,058,113	1,872,129	1,711,340
Community Environment	1,095,395	792,667	869,283	715,893	653,685
Economic Development	2,882,602	7,386,562	3,606,065	2,606,100	24,835
Leisure Time Activities	1,178,575	1,002,442	1,037,882	1,009,957	1,090,889
Intergovernmental	0	0	0	0	18,420
Capital Outlay	3,227,967	5,037,231	4,918,114	8,707,726	5,376,919
Debt Service:					
Principal Retirement	2,427,744	2,297,103	11,027,373	5,672,618	8,105,592
Interest and Fiscal Charges	1,879,931	2,010,962	1,950,882	1,753,457	1,811,630
Bond Issuance Costs	326,044	82,219	0	0	475,530
<b>Total Expenditures</b>	<b>46,562,436</b>	<b>50,329,405</b>	<b>57,384,699</b>	<b>50,406,840</b>	<b>45,370,767</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(3,721,644)</b>	<b>(4,496,677)</b>	<b>(15,473,952)</b>	<b>(6,819,538)</b>	<b>(7,960,079)</b>
<b>Other Financing Sources (Uses)</b>					
Capital Lease Proceeds	1,425,000	0	1,849,994	0	0
Sale of Fixed Assets	0	20,128	0	0	0
Payment to Police and Fire Pension	0	0	0	0	0
Bonds Issued	2,595,000	1,510,000	2,297,663	0	6,245,000
Refunding Bonds Issued	4,970,000	0	0	0	0
Notes Issued	0	0	4,750,000	4,150,000	4,945,000
Loans Received	507,572	2,652,923	130,178	2,352,536	603,346
Premium on Debt Issuance	1,072	4,628	0	0	18,947
Discount on Debt Issuance	(52,476)	0	0	0	0
Payment to Refunded Bond Escrow Agent	(4,715,431)	0	0	0	0
Transfers In	2,697,744	1,749,236	1,995,288	1,853,219	2,719,525
Transfers Out	(2,697,744)	(1,749,236)	(1,995,288)	(1,853,219)	(2,719,525)
<b>Total Other Financing Sources (Uses)</b>	<b>4,730,737</b>	<b>4,187,679</b>	<b>9,027,835</b>	<b>6,502,536</b>	<b>11,812,293</b>
<b>Net Change in Fund Balances</b>	<b>\$1,009,093</b>	<b>(\$308,998)</b>	<b>(\$6,446,117)</b>	<b>(\$317,002)</b>	<b>\$3,852,214</b>
Debt Service as a Percentage of Noncapital Expenditures	11.4%	10.2%	32.9%	21.7%	33.0%



2002	2001	2000	1999	1998
\$3,394,317	\$3,492,363	\$3,955,169	\$3,593,074	\$3,454,984
16,510,556	16,784,765	17,811,594	16,365,072	16,856,715
1,119,774	956,437	938,448	439,434	430,802
3,123,925	2,378,314	2,296,516	2,061,198	2,725,477
0	0	0	0	0
12,079,479	19,313,513	13,664,775	14,795,431	12,769,960
324,659	158,630	179,267	215,025	322,014
201,577	395,523	490,884	321,895	426,823
956,052	771,020	174,536	891,588	515,976
<u>37,710,339</u>	<u>44,250,565</u>	<u>39,511,189</u>	<u>38,682,717</u>	<u>37,502,751</u>
6,812,397	6,675,722	7,007,186	6,569,957	6,546,059
17,422,517	18,345,606	17,944,155	17,237,827	15,760,123
1,902,093	2,552,311	3,647,614	2,665,990	2,557,555
1,590,199	1,723,442	1,780,974	1,723,641	1,594,986
612,126	719,872	685,051	710,623	704,649
6,887,067	5,171,564	4,628,864	3,356,598	5,021,472
934,524	1,562,013	1,483,343	1,493,082	1,407,498
0	0	0	0	0
9,240,850	6,323,085	1,677,727	2,938,879	2,434,120
3,037,428	3,172,538	2,842,366	2,121,041	5,179,490
1,531,863	1,320,476	1,393,106	936,514	1,113,092
0	0	0	90,519	0
<u>49,971,064</u>	<u>47,566,629</u>	<u>43,090,386</u>	<u>39,844,671</u>	<u>42,319,044</u>
<u>(12,260,725)</u>	<u>(3,316,064)</u>	<u>(3,579,197)</u>	<u>(1,161,954)</u>	<u>(4,816,293)</u>
182,910	125,096	765,827	0	7,637
0	558	1,100	1,183	0
0	0	0	(1,925,317)	0
8,905,000	0	4,814,703	2,045,297	3,680,000
0	0	0	0	0
1,320,000	1,550,000	1,550,000	1,550,000	2,696,265
2,247,999	0	2,500,000	0	0
18,586	0	0	0	0
0	0	0	0	0
0	0	0	0	0
2,557,146	2,270,090	2,641,825	1,955,445	2,064,033
<u>(2,557,146)</u>	<u>(2,270,090)</u>	<u>(2,641,825)</u>	<u>(1,985,271)</u>	<u>(2,064,033)</u>
<u>12,674,495</u>	<u>1,675,654</u>	<u>9,631,630</u>	<u>1,641,337</u>	<u>6,383,902</u>
<u>\$413,770</u>	<u>(\$1,640,410)</u>	<u>\$6,052,433</u>	<u>\$479,383</u>	<u>\$1,567,609</u>
12.6%	12.2%	11.4%	9.0%	18.7%

**City of Lorain, Ohio**  
 Assessed Valuation and Estimated True Values of Taxable Property  
 Last Ten Years

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated True Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU			Assessed Value
2007	\$ 746,514,550	\$ 175,555,690	\$ 2,634,486,400	\$ 62,526,510	\$ 71,052,852
2006	738,092,310	169,800,110	2,593,978,343	70,128,370	79,691,330
2005	650,032,220	162,381,030	2,321,180,714	74,269,390	84,397,034
2004	638,438,820	166,955,950	2,301,127,914	77,299,320	87,840,136
2003	627,918,840	162,388,030	2,258,019,629	79,467,680	90,304,182
2002	567,733,170	154,998,600	2,064,947,914	83,021,680	94,342,818
2001	557,481,320	156,616,820	2,040,280,400	41,909,630	47,624,580
2000	553,650,080	162,513,030	2,046,180,314	64,043,280	72,776,455
1999	454,088,000	153,275,320	1,735,323,771	67,935,340	77,199,250
1998	447,544,430	158,036,250	1,730,230,514	69,159,330	78,590,148

Property is assessed every year. The assessed value of real property (including public utility real property) is 35 percent of estimated true value. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in years prior to 2006 at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property started being phased out in 2006. For collection year 2007 both types of general business tangible personal property were assessed at 12.5 percent. The percentage will be 6.25 percent for 2008, and zero for 2009.

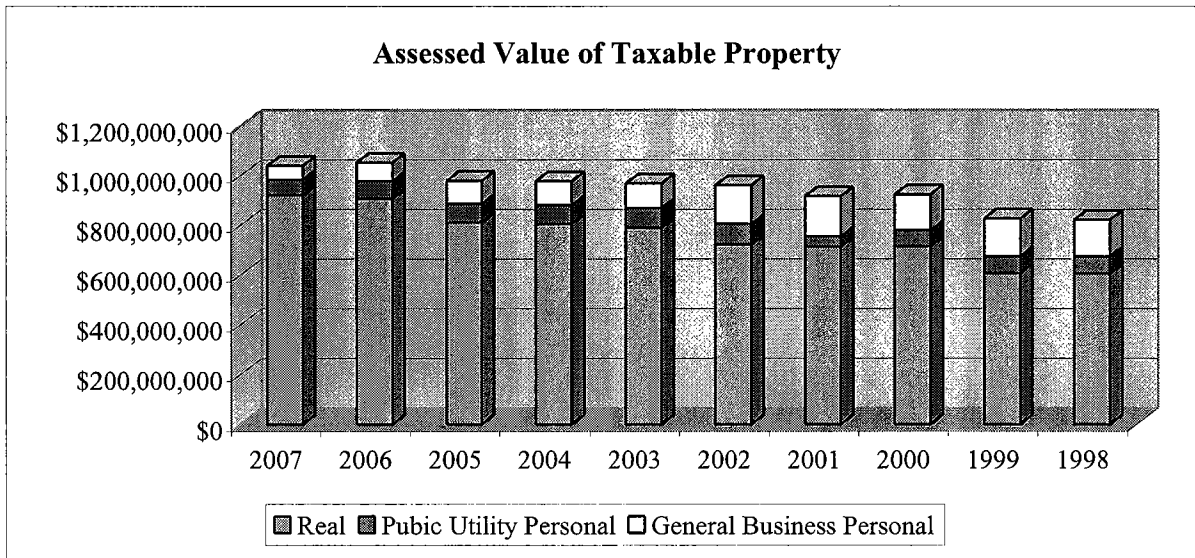
The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, 2 1/2% and homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial property has been eliminated.

Source: Lorain County, Ohio; County Auditor



**Tangible Personal Property**

<b>General Business</b>		<b>Total</b>			<b>Tax Rate Per per \$1, 000 of Assessed Value</b>
<b>Assessed Value</b>	<b>Estimated True Value</b>	<b>Assessed Value</b>	<b>Estimated True Value</b>	<b>Ratio</b>	
\$ 56,325,250	\$ 450,602,000	\$ 1,040,922,000	\$ 3,156,141,252	32.98%	\$4.96
75,436,138	402,326,069	1,053,456,928	3,075,995,742	34.25	4.96
94,023,132	408,796,226	980,705,772	2,814,373,974	34.85	4.96
96,508,986	419,604,287	979,203,076	2,808,572,338	34.86	4.96
99,372,980	432,056,435	969,147,530	2,780,380,245	34.86	4.96
155,635,990	676,678,217	961,389,440	2,835,968,950	33.90	4.96
161,585,020	702,543,565	917,592,790	2,790,448,545	32.88	4.96
145,004,768	630,455,513	925,211,158	2,749,412,282	33.65	4.96
152,994,550	665,193,696	828,293,210	2,477,716,717	33.43	4.96
147,824,554	642,715,452	822,564,564	2,451,536,114	33.55	4.96



**City of Lorain, Ohio**  
**Property Tax Rates - Direct and Overlapping Governments**  
**(Per \$1,000 of Assessed Valuation)**  
**Last Six Years**

	2007	2006	2005	2004	2003	2002
<b>Unvoted Millage</b>						
Operating	\$3.3600	\$3.3600	\$3.3600	\$3.3600	\$3.3600	\$3.3600
Bond Retirement	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Fire Pension	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
Police Pension	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
<i>Total Unvoted Millage</i>	<u>\$4.9600</u>	<u>\$4.9600</u>	<u>\$4.9600</u>	<u>\$4.9600</u>	<u>\$4.9600</u>	<u>\$4.9600</u>
<b>Overlapping Rates by Taxing District</b>						
<b>Lorain City School District</b>						
Residential/Agricultural Real	\$26.401790	\$26.294987	\$28.904986	\$28.986588	\$29.418314	\$31.716636
Commerical/Industrial and Public Utility Real	49.460471	48.869978	51.125934	50.102276	50.206799	52.027793
General Business and Public Utility Personal	59.410000	59.410000	59.610000	59.610000	59.960000	59.960000
<b>Amherst Exempted School District</b>						
Residential/Agricultural Real	24.664626	24.849649	26.921603	26.982197	27.180335	27.407719
Commerical/Industrial and Public Utility Real	28.879896	29.412375	32.090072	32.488818	32.668111	32.491424
General Business and Public Utility Personal	60.560000	60.660000	60.980000	60.980000	61.050000	59.880000
<b>Vermilion City School District</b>						
Residential/Agricultural Real	31.010390	30.400024	25.550044	25.607768	25.550035	27.787240
Commerical/Industrial and Public Utility Real	53.885384	50.761422	49.070040	45.305123	44.665976	46.069561
General Business and Public Utility Personal	68.800000	68.300000	63.450000	63.450000	63.450000	64.100000
<b>Clearview City School District</b>						
Residential/Agricultural Real	35.062174	28.837199	29.132649	29.854798	29.611787	30.481588
Commerical/Industrial and Public Utility Real	35.385118	28.884064	29.153153	30.021832	29.800013	30.847937
General Business and Public Utility Personal	52.290000	46.090000	46.340000	47.340000	47.100000	47.850000
<b>Firelands Local School District</b>						
Residential/Agricultural Real	24.550690	24.210033	24.690030	24.690006	24.820006	28.290016
Commerical/Industrial and Public Utility Real	24.696224	24.210027	27.476008	27.556536	27.853060	32.396895
General Business and Public Utility Personal	47.060000	47.010000	47.490000	47.490000	47.620000	51.090000
<b>Elyria City School District</b>						
Residential/Agricultural Real	31.509357	27.570005	29.977001	26.237827	26.501241	27.423155
Commerical/Industrial and Public Utility Real	38.253750	34.092496	36.500243	32.767017	33.199831	34.402062
General Business and Public Utility Personal	63.300000	59.400000	60.230000	56.480000	56.730000	56.810000

*(continued)*

**City of Lorain, Ohio**  
**Property Tax Rates - Direct and Overlapping Governments (continued)**  
 (Per \$1,000 of Assessed Valuation)  
 Last Six Years

	2007	2006	2005	2004	2003	2002
Lorain County						
Residential/Agricultural Real	\$10.961756	\$10.926994	\$12.174480	\$10.759740	\$10.121297	\$10.549476
Commerical/Industrial and Public Utility Real	11.906101	11.818414	12.779647	12.030494	11.667702	11.992323
General Business and Public Utility Personal	13.390000	13.490000	13.490000	13.190000	12.890000	12.890000

Source: County Auditor

Notes: The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year. The City's basic property tax rate may be increased only by a majority vote of the City's residents.

The real property tax rates for the voted levies of the overlapping taxing districts are reduced so that inflationary increases in value do not generate additional revenue.

Overlapping rates are those of local and county governments that apply to property owners within the City.

Information prior to 2002 is not available.

**City of Lorain, Ohio**  
Property Tax Levies and Collections  
Real and Public Utility Taxes  
Last Ten Years

<u>Year</u>	<u>Current Tax Levy (1)</u>	<u>Current Tax Collections (1)</u>	<u>Percent Collected</u>	<u>Delinquent Tax Collections (3)</u>
2007	\$4,427,436	\$4,135,641	93.4%	\$179,211
2006	4,022,380	3,814,286	94.8	125,930
2005	3,996,835	3,805,202	95.2	140,840
2004	3,956,482	3,773,999	95.4	124,093
2003	3,665,134	3,483,359	95.0	132,140
2002	3,458,430	3,232,113	93.5	102,721
2001	3,569,077	3,345,912	93.7	116,101
2000	3,066,578	2,922,999	95.3	115,157
1999	3,183,610	2,910,261	91.4	107,157
1998	3,057,957	2,945,399	96.3	102,854

Source: Lorain County Auditor

- (1). State Reimbursement of Rollback and Homestead Exemptions are included.
- (2). Penalties and interest are included, since by Ohio Law they become part of the tax obligation as assessment occurs.
- (3). The Lorain County Auditor does not identify delinquent collections by year.

<u>Total Tax Collections</u>	<u>Percent of Total Collections To Current Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes (2)</u>	<u>Percent of Delinquent Taxes To Current Tax Levy</u>
\$4,314,852	97.5%	\$451,061	10.2%
3,940,217	98.0	372,022	9.2
3,946,042	98.7	333,010	8.3
3,898,092	98.5	302,980	7.7
3,615,499	98.6	300,673	8.2
3,334,835	96.4	247,367	7.2
3,462,013	97.0	251,934	7.1
3,038,157	99.1	246,327	8.0
3,017,418	94.8	352,399	11.1
3,048,253	99.7	185,575	6.1

**City of Lorain, Ohio**  
Principal Real Property Taxpayers  
2007 and 1998

Taxpayer	2007		
	Real Property Assessed Valuation	Rank	Percentage of Total Real Property Assessed Valuation
Firstenergy Generation	\$38,946,680	1	4.22%
Ohio Edison	16,089,330	2	1.74
IRG Lorain LLC	10,019,540	3	1.09
American Transmission	6,983,210	4	0.76
Industrias CH, S.A. de C.V. (REP) *	6,354,090	5	0.69
CenturyTel of Ohio Inc	5,627,850	6	0.61
Oster Construction Inc	5,193,510	7	0.56
Diocese of Cleveland	3,690,150	8	0.40
Lexington Trank Lorain	3,569,730	9	0.39
Anchor Lodge Company LTD	2,646,260	10	0.29
	<u>\$99,120,350</u>		<u>10.75%</u>
Total Real Property Assessed Valuation	<u>\$922,070,240</u>		

	1998		
	Real Property Assessed Valuation	Rank	Percentage of Total Real Property Assessed Valuation
Ohio Edison	\$48,709,120	1	8.04%
Ford Motor Company	17,473,770	2	2.89
USS/Kobe Steel Company	13,605,490	3	2.25
Century Telephone Company	12,179,210	4	2.01
South Shore Community Development Corp.	10,693,730	5	1.77
Columbia Gas of Ohio, Inc.	8,366,100	6	1.38
KeyBank	3,678,680	7	0.61
Lake Terminal Railroad	2,461,620	8	0.41
Reliance Electric Company	2,174,550	9	0.36
Lakeland Medical	1,529,050	10	0.25
	<u>\$120,871,320</u>		<u>19.96%</u>
Total Real Property Assessed Valuation	<u>\$605,580,680</u>		

\*USS/Kobe in 1998

**City of Lorain, Ohio**  
Principal Personal Property Taxpayers  
2007 and 1998

Taxpayer	2007		
	Personal Property Assessed Valuation	Rank	Percentage of Total Personal Property Assessed Valuation
Industrias CH, S.A. de C.V. (REP)	* \$16,007,230	1	28.42%
United States Steel	* 12,353,710	2	21.93
CenturyTel of Ohio, Inc	3,718,070	3	6.60
Emerson Network Power	** 3,159,190	4	5.61
Time Warner NY Cable LLC	998,670	5	1.77
Joe Firment Chevrolet Inc.	713,000	6	1.27
P C Campana Inc.	698,910	7	1.24
Joyce Buick Pontiac Inc.	669,700	8	1.19
Praxair Inc.	661,580	9	1.17
Tubular Steel, Inc	634,490	10	1.13
	<u>\$39,614,550</u>		<u>70.33%</u>
Total Personal Property Assessed Valuation	<u>\$56,325,250</u>		

Taxpayer	1998		
	Personal Property Assessed Valuation	Rank	Percentage of Total Personal Property Assessed Valuation
USS/Kobe Steel Company	\$80,706,080	1	54.60%
Ford Motor Company (Lorain)	13,149,890	2	8.90
Reltec - Lorain Products Division	8,016,920	3	5.42
LTV Steel	4,669,140	4	3.16
P C Campana Inc.	1,885,030	5	1.28
Praxair Inc.	1,640,660	6	1.11
K Mart Corporation	1,510,480	7	1.02
National Gypsum Company	1,319,390	8	0.89
Builders Square	944,650	9	0.64
W.L. Baumler Company, Inc.	930,720	10	0.63
	<u>\$114,772,960</u>		<u>77.64%</u>
Total Personal Property Assessed Valuation	<u>\$147,824,554</u>		

\* USS/Kobe in 1998

\*\* RELTEC-Lorain Products in 1998

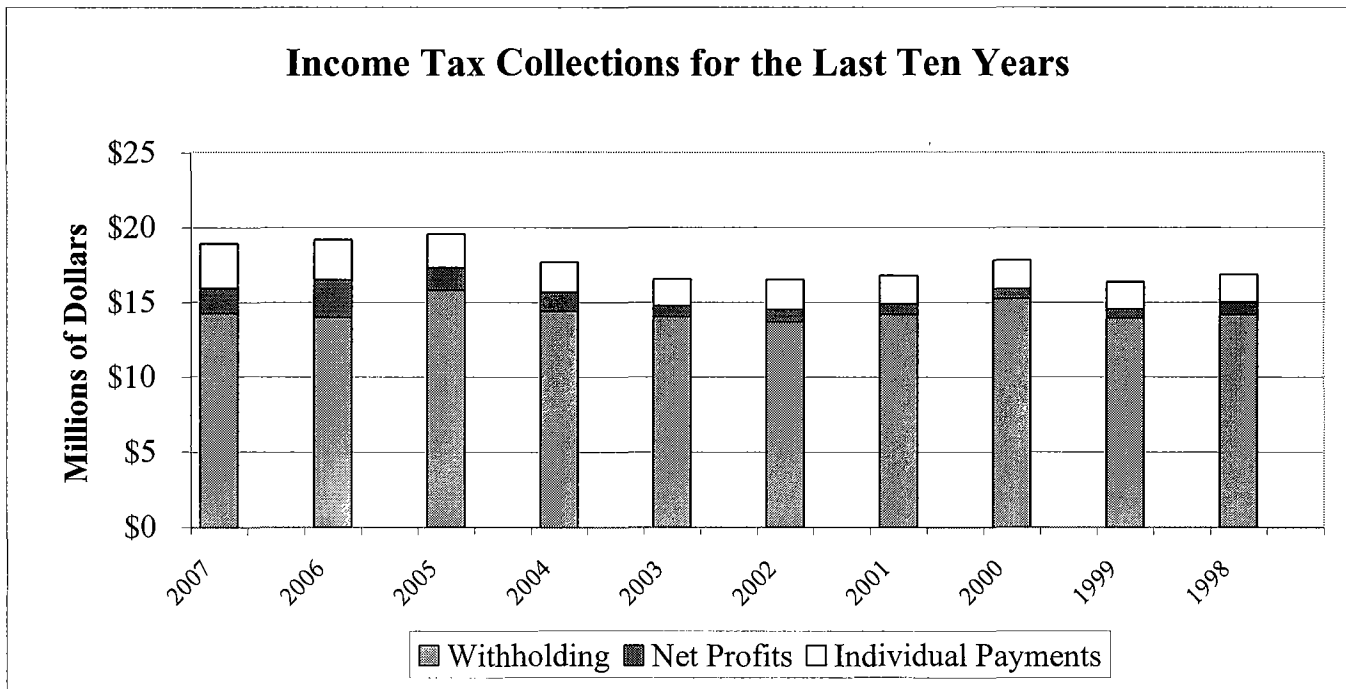
**City of Lorain, Ohio**  
**Income Tax Revenue Base and Collections**  
**Last Ten Years**

*(Modified Accrual Basis of Accounting)*

Tax Year	Tax Rate (1)	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits	Taxes From Individual Payments	Percentage of Taxes from Individual Payments
2007	2.00%	\$18,637,946	\$14,273,446	76.58%	\$1,654,349	8.88%	\$2,996,184	16.08%
2006	2.00	19,181,559	13,985,760	72.91	2,496,101	13.01	2,699,698	14.07
2005	2.00	19,546,306	15,807,433	80.87	1,492,483	7.64	2,246,390	11.49
2004	1.75	17,680,283	14,416,263	81.54	1,268,333	7.17	1,995,688	11.29
2003	1.75	16,553,650	14,024,630	84.72	723,263	4.37	1,805,758	10.91
2002	1.75	16,510,556	13,678,055	82.84	826,394	5.01	2,006,108	12.15
2001	1.75	16,784,765	14,193,981	84.56	684,904	4.08	1,905,880	11.35
2000	1.75	17,811,594	15,254,257	85.64	633,626	3.56	1,923,711	10.80
1999	1.75	16,365,072	13,936,742	85.16	598,620	3.66	1,829,710	11.18
1998	1.75	16,856,715	14,179,416	84.12	804,292	4.77	1,873,007	11.11

Source: City of Lorain Income Tax Department/MITS System - years are tax years.

(1) Effective March 1, 2005 City of Lorain Electors voted to increase the City income tax by .25%.





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**City of Lorain, Ohio**  
Ratio of Outstanding Debt to  
Total Personal Income and Debt Per Capita  
Last Eight Years (1)

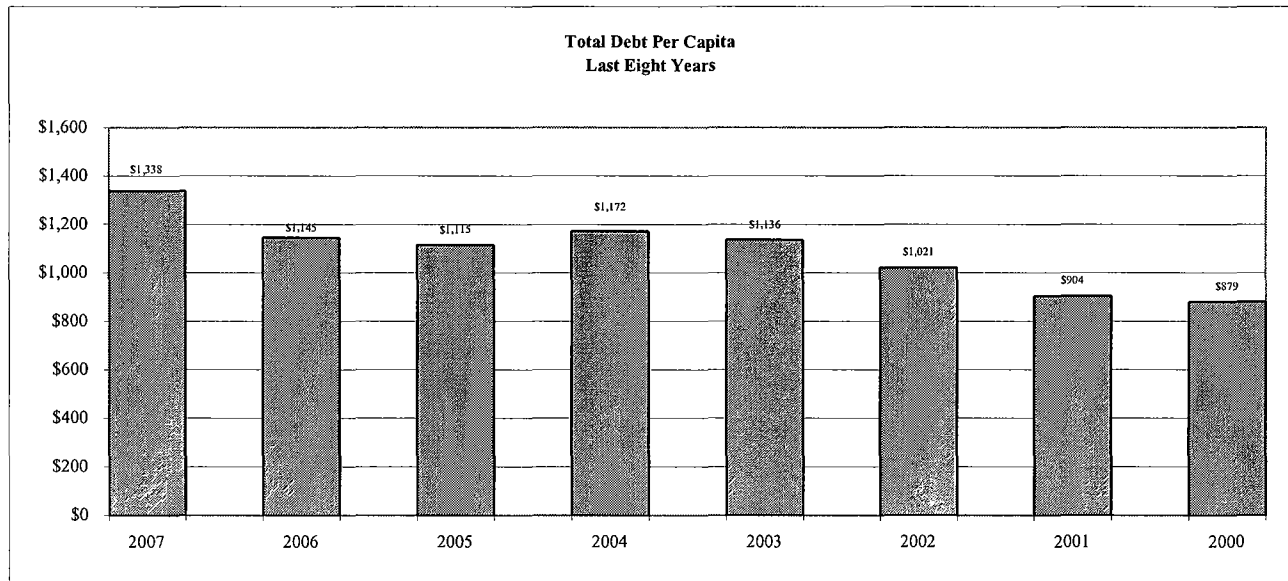
Year	Governmental Activities						ODOD	ODOT
	General Obligation Bonds	Special Assessment Bonds	OPWC Loans	Capital Leases	Bond Anticipation Notes	HUD Loans	Urban Redevelopment Loans	State Infrastructure Loans
2007	\$27,731,792	\$567,014	\$2,088,849	\$2,832,561	\$0	\$5,455,000	\$1,240,041	\$1,062,114
2006	26,222,206	664,719	2,159,087	1,793,667	0	5,900,000	1,240,041	953,999
2005	25,998,851	762,423	1,873,525	2,099,227	0	6,345,000	0	0
2004	24,734,873	860,127	1,904,310	425,643	4,150,000	6,785,000	0	0
2003	25,967,169	1,012,831	1,855,801	592,393	3,625,000	4,955,000	0	0
2002	21,419,262	565,738	1,350,995	769,684	1,320,000	5,325,000	0	0
2001	13,518,855	693,145	1,193,584	750,112	1,550,000	3,570,000	0	0
2000	14,458,448	820,552	60,102	803,491	1,550,000	3,845,000	0	0

(1) Information prior to 2000 not available

Note: Population and Personal Income data are presented on page S29.

**Business-Type Activities**

Installment Loans	General Obligation Bonds	Mortgage Revenue Bonds	Capital Leases	OWDA Loans	Total Debt	Percentage of Personal Income	Per Capita
\$250,000	\$1,207,975	\$8,138,159	\$256,966	\$43,621,429	\$94,451,900	7.60%	\$1,338
0	1,363,756	9,147,462	0	28,225,785	77,670,722	7.01%	1,145
0	1,510,777	10,106,765	119,375	27,730,126	76,546,069	6.82%	1,115
0	1,550,000	11,363,032	132,395	28,524,772	80,430,152	7.17%	1,172
0	1,885,000	12,282,802	144,780	25,654,980	77,975,756	6.95%	1,136
0	2,215,000	13,152,600	156,561	23,846,979	70,121,819	6.25%	1,021
0	2,540,000	13,992,398	0	24,258,376	62,066,470	5.53%	904
0	2,865,000	14,787,196	0	21,179,116	60,368,905	5.38%	879



**City of Lorain, Ohio**  
Ratio of General Obligation Bonded Debt to Estimated  
True Value and Bonded Debt Per Capita  
Last Ten Years

Year	Population (1)		Estimated True Value of Taxable Property (2)	Gross Bonded Debt (3)	Ratio of Bonded Debt to Estimated True Value of Taxable Property	Bonded Debt Per Capita
2007	70,592	d	\$3,156,141,252	\$27,731,792	0.88 %	\$392.85
2006	67,820	c	3,075,995,742	26,222,206	0.85	386.64
2005	68,652	b	2,814,373,974	25,998,851	0.92	378.70
2004	68,652	b	2,808,572,338	24,734,873	0.88	360.29
2003	68,652	b	2,780,380,245	25,967,169	0.93	378.24
2002	68,652	b	2,835,968,950	21,419,262	0.76	312.00
2001	68,652	b	2,790,448,545	13,518,855	0.48	196.92
2000	68,652	a	2,749,412,282	14,458,448	0.53	210.60
1999	69,800	a	2,477,746,717	10,363,041	0.42	148.47
1998	69,800	a	2,451,536,114	9,202,634	0.38	131.84

Sources:

(1) U. S. Bureau of Census, Census of Population.

(a) 1990 Federal Census

(b) 2000 Federal Census

(c) 2006 estimate

(d) 2007 estimate

(2) County Auditor

(3) Includes all general obligation bonded debt with the exception of Special Assessment debt.

**City of Lorain, Ohio**  
 Computation of Direct and Overlapping Governmental Activities Debt  
 December 31, 2007

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
<b>Direct - City of</b>			
General Obligation Bonds	\$27,731,792	100.00 %	\$27,731,792
Special Assessment Bonds	567,014	100.00	567,014
OPWC Loans	2,088,849	100.00	2,088,849
Capital Leases	2,832,561	100.00	2,832,561
HUD Loans	5,455,000	100.00	5,455,000
Public Improvement Installment Loans	250,000	100.00	250,000
ODOD Urban Redevelopment Loans	1,240,041	100.00	1,240,041
ODOT State Infrastructure Loans	1,062,114	100.00	1,062,114
<i>Total Direct Debt</i>	<u>41,227,371</u>		<u>41,227,371</u>
<b>Overlapping</b>			
Lorain City School District			
General Obligation Bonds	38,154,698	100.00%	38,154,698
Amherst Exempted School District			
General Obligation Bonds	17,514,838	28.20%	4,939,184
Vermilion City School District			
General Obligation Bonds	1,585,000		
Capital Leases	54,119	12.78%	209,479
Clearview City School District			
General Obligation Bonds	5,060,000		
Capital Leases	24,445	34.77%	1,767,862
Firelands Local School District			
General Obligation Bonds	-		
Capital Leases	23,644	1.84%	436
Elyria City School District			
General Obligation Bonds	5,000,000		
Capital Leases	5,883,558	0.22%	23,944
County			
General Obligation Bonds	<u>28,220,000</u>	18.44%	<u>5,203,768</u>
<i>Total Overlapping Debt</i>	<u>101,520,302</u>		<u>50,299,371</u>
<b>Total</b>	<u><u>\$142,747,673</u></u>		<u><u>\$91,526,742</u></u>

Source: County Auditor

(1) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the City by its total assessed valuation.

**City of Lorain, Ohio**

Legal Debt Margin  
Last Ten Years

	2007	2006	2005	2004	2003
<b>General Bonded Debt Outstanding:</b>					
General Obligation Bonds	\$28,030,011	\$26,201,525	\$25,981,800	\$24,734,873	\$25,967,169
Special Assessment Bonds	567,014	664,719	762,423	860,127	1,012,831
Hud Section 108 Loans	5,455,000	5,900,000	6,345,000	6,785,000	4,955,000
Enterprise Fund General Obligation Bonds	1,207,975	1,363,756	1,510,777	1,550,000	1,885,000
Enterprise Fund Revenue Bonds	8,318,638	9,383,436	10,398,234	11,363,032	12,282,802
Ohio Water Development Authority Loans	43,621,429	28,225,785	27,730,126	28,524,772	25,654,980
Bond Anticipation Notes	0	0	0	4,150,000	3,625,000
OPWC Loans	2,088,849	2,159,087	1,873,525	1,904,310	1,855,801
Real Estate Acquisition Loan	0	0	0	0	17,787
Public Improvement Installment Loans	250,000	0	0	0	0
ODOD Urban Redevelopment Loans	1,240,041	1,240,041	0	0	0
ODOT State Infrastructure Bank Loans	1,062,114	953,999	0	0	0
<b>Total Gross Indebtedness</b>	<u>91,841,071</u>	<u>76,092,348</u>	<u>74,601,885</u>	<u>79,872,114</u>	<u>77,256,370</u>
<b>Percentage of Estimated Actual</b>					
Property Value	8.82%	7.22%	7.61%	8.16%	7.97%
Assessed Property Value	1,040,922,000	1,053,456,928	980,705,772	979,203,076	969,147,530
<b>Total Debt Per Capita</b>	1,301	1,122	1,087	1,163	1,125
<b>Population</b>	70,592	67,820	68,652	68,652	68,652
<b>Less:</b>					
Special Assessment Bonds	(567,014)	(664,719)	(762,423)	(860,127)	(1,012,831)
Enterprise Fund General Obligation Bonds	(1,207,975)	(1,363,756)	(1,510,777)	(1,550,000)	(1,885,000)
Enterprise Fund Revenue Bonds	(8,138,159)	(9,147,462)	(10,106,765)	(11,465,000)	(12,282,802)
Ohio Water Development Authority Loans	<u>(43,621,429)</u>	<u>(28,225,785)</u>	<u>(27,730,126)</u>	<u>(28,524,772)</u>	<u>(25,654,980)</u>
<b>Total Net Debt Applicable to Debt Limit</b>	38,306,494	36,690,626	34,491,794	37,472,215	36,420,757
<b>Overall Legal Debt Limit</b>					
10 1/2% of Assessed Valuation	<u>109,296,810</u>	<u>110,612,977</u>	<u>102,974,106</u>	<u>102,816,323</u>	<u>101,760,491</u>
<b>Legal Debt Margin Within 10 1/2% Limitations</b>	<u>\$70,990,316</u>	<u>\$73,922,351</u>	<u>\$68,482,312</u>	<u>\$65,344,108</u>	<u>\$65,339,734</u>
<b>Legal Debt Margin as a Percentage of the Debt Limit</b>	64.95%	66.83%	66.50%	63.55%	64.21%
<b>Unvoted Debt Limitation</b>					
5 1/2% of Assessed Valuation	\$57,250,710	\$57,940,131	\$53,938,817	\$53,856,169	\$53,303,114
<b>Net Unvoted Indebtedness Authorized by Council</b>	91,621,131	75,903,947	74,310,416	79,760,414	76,890,964
<b>Less:</b>					
Special Assessment Bonds	(567,014)	(664,719)	(762,423)	(860,127)	(1,012,831)
Enterprise Fund General Obligation Bonds	(1,207,975)	(1,363,756)	(1,510,777)	(1,550,000)	(1,885,000)
Enterprise Fund Revenue Bonds	(8,138,159)	(9,147,462)	(10,106,765)	(11,465,000)	(12,282,802)
Ohio Water Development Authority Loans	<u>(43,621,429)</u>	<u>(28,225,785)</u>	<u>(27,730,126)</u>	<u>(28,524,772)</u>	<u>(25,654,980)</u>
<b>Net Debt Within 5 1/2% Limitations</b>	<u>38,086,554</u>	<u>36,502,225</u>	<u>34,200,325</u>	<u>37,360,515</u>	<u>36,055,351</u>
<b>Unvoted Legal Debt Margin Within 5 1/2% Limitations</b>	<u>\$19,164,156</u>	<u>\$21,437,906</u>	<u>\$19,738,492</u>	<u>\$16,495,654</u>	<u>\$17,247,763</u>
<b>Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation</b>	33.47%	37.00%	36.59%	30.63%	32.36%

Source: City Financial Records

2002	2001	2000	1999	1998
\$21,419,262	\$13,518,855	\$14,458,448	\$10,363,041	\$9,202,634
565,738	693,145	820,552	982,959	1,145,366
5,325,000	3,570,000	3,845,000	1,615,000	1,760,000
2,215,000	2,540,000	2,865,000	3,180,000	3,490,000
13,152,600	13,992,398	14,787,196	15,546,966	16,271,764
23,846,979	24,258,376	21,179,116	6,103,356	3,131,091
4,809,000	1,850,000	1,550,000	1,550,000	855,000
1,350,995	1,193,584	60,102	57,172	69,877
63,505	108,792	78,069	102,011	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>72,748,079</u>	<u>61,725,150</u>	<u>59,643,483</u>	<u>39,500,505</u>	<u>35,925,732</u>
7.57%	6.73%	6.45%	4.77%	4.37%
961,389,440	917,592,790	925,211,158	828,293,210	822,564,554
1,060	899	869	566	515
68,652	68,652	68,652	69,800	69,800
(565,738)	(693,145)	(820,552)	(982,959)	(1,145,366)
(2,215,000)	(2,540,000)	(2,865,000)	(3,180,000)	(3,490,000)
(13,152,600)	(13,992,398)	(14,787,196)	(15,546,966)	(16,271,764)
<u>(23,846,979)</u>	<u>(24,258,376)</u>	<u>(21,179,116)</u>	<u>(6,103,356)</u>	<u>(3,131,091)</u>
32,967,762	20,241,231	19,991,619	13,687,224	11,887,511
<u>100,945,891</u>	<u>96,347,243</u>	<u>97,147,172</u>	<u>86,970,787</u>	<u>86,369,278</u>
<u>\$67,978,129</u>	<u>\$76,106,012</u>	<u>\$77,155,553</u>	<u>\$73,283,563</u>	<u>\$74,481,767</u>
67.34%	78.99%	79.42%	84.26%	86.24%
\$52,876,419	\$50,467,603	\$50,886,614	\$45,556,127	\$45,241,050
72,628,310	61,526,416	58,994,401	39,461,752	35,460,648
(565,738)	(693,145)	(820,552)	(982,959)	(1,145,366)
(2,215,000)	(2,540,000)	(2,865,000)	(3,180,000)	(3,490,000)
(13,152,600)	(13,992,398)	(14,787,196)	(15,546,966)	(16,271,764)
<u>(23,846,979)</u>	<u>(24,258,376)</u>	<u>(21,179,116)</u>	<u>(6,103,356)</u>	<u>(3,131,091)</u>
<u>32,847,993</u>	<u>20,042,497</u>	<u>19,342,537</u>	<u>13,648,471</u>	<u>11,422,427</u>
<u>\$20,028,426</u>	<u>\$30,425,106</u>	<u>\$31,544,077</u>	<u>\$31,907,656</u>	<u>\$33,818,623</u>
37.88%	60.29%	61.99%	70.04%	74.75%

**City of Lorain, Ohio**  
**Pledged Revenue Coverage**  
**Water Works**  
**Last Ten Years**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Available Revenue:					
Gross Revenues	\$7,966,168	\$8,191,235	\$8,555,713	\$8,342,495	\$8,249,924
Less: Operating Expenses (1)	<u>5,963,954</u>	<u>5,829,936</u>	<u>5,590,805</u>	<u>5,407,940</u>	<u>6,165,744</u>
Net Available Revenue	<u><u>2,002,214</u></u>	<u><u>2,361,299</u></u>	<u><u>2,964,908</u></u>	<u><u>2,934,555</u></u>	<u><u>2,084,180</u></u>
Debt Service - Revenue Bonds:					
Principal	485,000	465,000	440,000	420,000	400,000
Interest	308,691	331,971	353,698	365,739	393,397
Revenue Bond Coverage	<u>2.52</u>	<u>2.96</u>	<u>3.74</u>	<u>3.73</u>	<u>2.63</u>
Debt Service OWDA Loans:					
Principal	381,205	357,855	347,012	618,077	558,391
Interest	464,934	483,902	502,049	449,519	393,056
OWDA Coverage	<u>2.37</u>	<u>2.81</u>	<u>3.49</u>	<u>2.75</u>	<u>2.19</u>
Total Debt Service:					
Principal	866,205	822,855	787,012	1,038,077	958,391
Interest	773,625	815,873	855,747	815,258	786,453
Total Coverage	<u>1.22</u>	<u>1.44</u>	<u>1.80</u>	<u>1.58</u>	<u>1.19</u>

(1) Operating expenses do not include depreciation and amortization expenses.

Source: City Auditor



<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$7,958,375	\$7,493,865	\$5,183,848	\$5,482,568	\$6,030,207
<u>5,679,672</u>	<u>4,122,439</u>	<u>4,774,381</u>	<u>5,705,652</u>	<u>4,573,306</u>
<u>2,278,703</u>	<u>3,371,426</u>	<u>409,467</u>	<u>(223,084)</u>	<u>1,456,901</u>
385,000	365,000	350,000	335,000	325,000
411,245	428,053	443,608	458,168	471,865
<u>2.86</u>	<u>4.25</u>	<u>0.52</u>	<u>(0.28)</u>	<u>1.83</u>
501,990	450,053	312,114	229,160	214,891
423,719	406,864	222,525	107,863	122,132
<u>2.46</u>	<u>3.93</u>	<u>0.77</u>	<u>(0.66)</u>	<u>4.32</u>
886,990	815,053	662,114	564,160	539,891
834,964	834,917	666,133	566,031	593,997
<u>1.32</u>	<u>2.04</u>	<u>0.31</u>	<u>(0.20)</u>	<u>1.28</u>

**City of Lorain, Ohio**  
**Pledged Revenue Coverage**  
**Water Pollution Control**  
**Last Ten Years**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Available Revenue:					
Gross Revenues	\$10,915,240	\$10,222,189	\$9,240,060	\$8,313,069	\$7,728,255
Less: Operating Expenses (1)	6,342,194	7,093,067	5,753,128	6,224,953	7,399,650
Net Available Revenue	<u>4,573,046</u>	<u>3,129,122</u>	<u>3,486,932</u>	<u>2,088,116</u>	<u>328,605</u>
Debt Service - Revenue Bonds:					
Principal	590,000	560,000	535,000	510,000	480,000
Interest	161,020	190,640	218,295	244,165	268,180
Revenue Bond Coverage	<u>6.09</u>	<u>4.17</u>	<u>4.63</u>	<u>2.77</u>	<u>0.44</u>
Debt Service OWDA Loans:					
Principal	1,089,047	791,991	973,131	826,682	735,466
Interest	726,942	678,730	724,605	608,693	587,486
OWDA Coverage	<u>2.52</u>	<u>2.13</u>	<u>2.05</u>	<u>1.45</u>	<u>0.25</u>
Total Debt Service:					
Principal	1,679,047	1,351,991	1,508,131	1,336,682	1,215,466
Interest	887,962	869,370	942,900	852,858	855,666
Total Coverage	<u>1.78</u>	<u>1.41</u>	<u>1.42</u>	<u>0.95</u>	<u>0.16</u>

(1) Operating expenses do not include depreciation and amortization expenses.

Source: City Auditor

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$7,673,262	\$7,963,116	\$8,739,907	\$8,276,380	\$7,465,131
<u>6,057,938</u>	<u>6,381,124</u>	<u>6,347,621</u>	<u>5,696,068</u>	<u>5,507,841</u>
<u>1,615,324</u>	<u>1,581,992</u>	<u>2,392,286</u>	<u>2,580,312</u>	<u>1,957,290</u>
465,000	440,000	420,000	400,000	390,000
290,547	311,675	331,245	349,495	366,582
<u>2.14</u>	<u>2.10</u>	<u>3.18</u>	<u>3.44</u>	<u>2.59</u>
708,476	497,339	125,340	91,743	86,346
614,475	449,202	120,154	104,108	109,504
<u>1.22</u>	<u>1.67</u>	<u>9.74</u>	<u>13.17</u>	<u>9.99</u>
1,173,476	937,339	545,340	491,743	476,346
905,022	760,877	451,399	453,603	476,086
<u>0.78</u>	<u>0.93</u>	<u>2.40</u>	<u>2.73</u>	<u>2.06</u>

**City of Lorain, Ohio**

Principal Employers

2007 and 1998

Employer	2007	
	Employees	% of Total Employment
Community Health Partners ***	2,174	7.17 %
Industrias CH, S.A. de C.V (REP)*	1,100	3.63
Lorain City School District	866	2.86
City of Lorain	531	1.75
Lorain Tubular	519	1.71
The Nord Center	288	0.95
Emerson Network Power **	282	0.93
Cleveland Clinic-Lorain	280	0.92
CAMACO, Inc.	203	0.67
Lake Point Health Care ****	190	0.63
	<u>6,433</u>	<u>21.22 %</u>
 Total Employment Within the City	 <u>30,300</u>	
Employer	1998	
	Employees	% of Total Employment
USS Kobe Steel Company	2,800	8.95 %
Lorain Community/St. Joseph Regional Health Center	2,178	6.96
Ford Motor Company-Lorain Assembly	2,000	6.39
RELTEC-Lorain Products Division	1,250	3.99
Lorain City School District	1,200	3.83
May Department Stores	600	1.92
City of Lorain	574	1.83
P.C. Campana, Inc.	550	1.76
Lorain County Community Action	290	0.93
W.G. Nord Community Mental Health Center	250	0.80
	<u>11,692</u>	<u>37.36 %</u>
 Total Employment Within the City	 <u>31,300</u>	

\* USS/Kobe in 1998. In October 2003, REP filed for protection under Chapter 11 of the U.S. Bankruptcy Act. On December 11, 2003, a U.S. Bankruptcy judge approved the tentative sale of REP's assets to Perry Strategic Capital, which formed PAV Republic, Inc., to take over and operate the assets of REP. The plant continues to operate, and PAV Republic, Inc. announced in November 2004 plans to take the company public. In July of 2005, REP was purchased by Industrias CH, S.A. de C.V. and its subsidiary, Grupo Simec of Guadalajara, Mexico. REP will become a subsidiary of Grupo Simec and Continue to operate as a standalone business.

\*\* RELTEC-Lorain Products in 1998

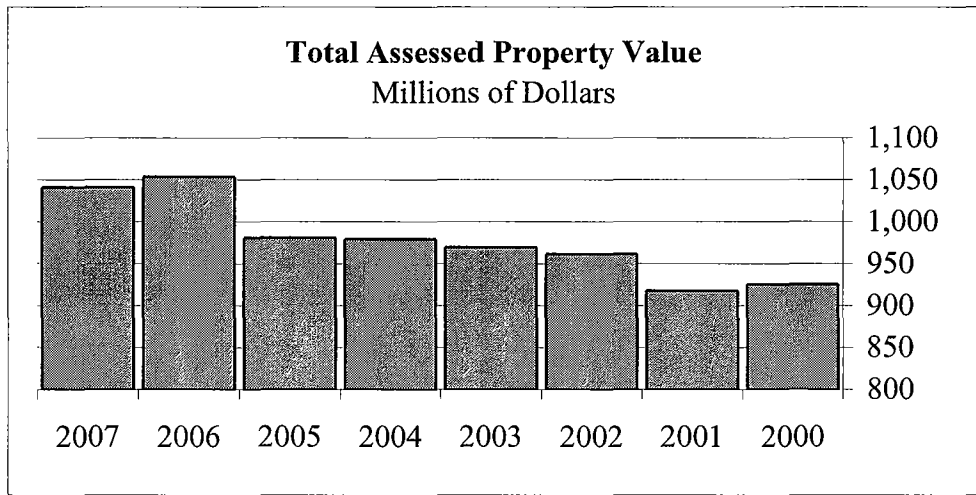
\*\*\*Lorain Comm/St. Joseph in 1998

\*\*\*\*Formerly Ohio Extended Care

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**City of Lorain**  
Demographic and Economic Statistics  
Last Eight Years (1)

<u>Year</u>	<u>Population (2)</u>	<u>Total Personal Income (6)</u>	<u>Personal Income Per Capita</u>	<u>Median Household Income (2)</u>	<u>Median Age (2)</u>
2007	70,592	\$1,242,489,792	\$17,601	\$37,670	33.9
2006	67,820	1,108,178,800	16,340	33,917	34.4
2005	68,652	1,121,773,680	16,340	33,917	34.4
2004	68,652	1,121,773,680	16,340	33,917	34.4
2003	68,652	1,121,773,680	16,340	33,917	34.4
2002	68,652	1,121,773,680	16,340	33,917	34.4
2001	68,652	1,121,773,680	16,340	33,917	34.4
2000	68,652	1,121,773,680	16,340	33,917	34.4



(1) Information prior to 2000 not available

(2) Source: U. S. Census (a) Years 2000 through 2005 - 2000 Federal Census

(b) Year 2006 US Census Bureau estimate

(c) Year 2007 US Census Bureau estimate

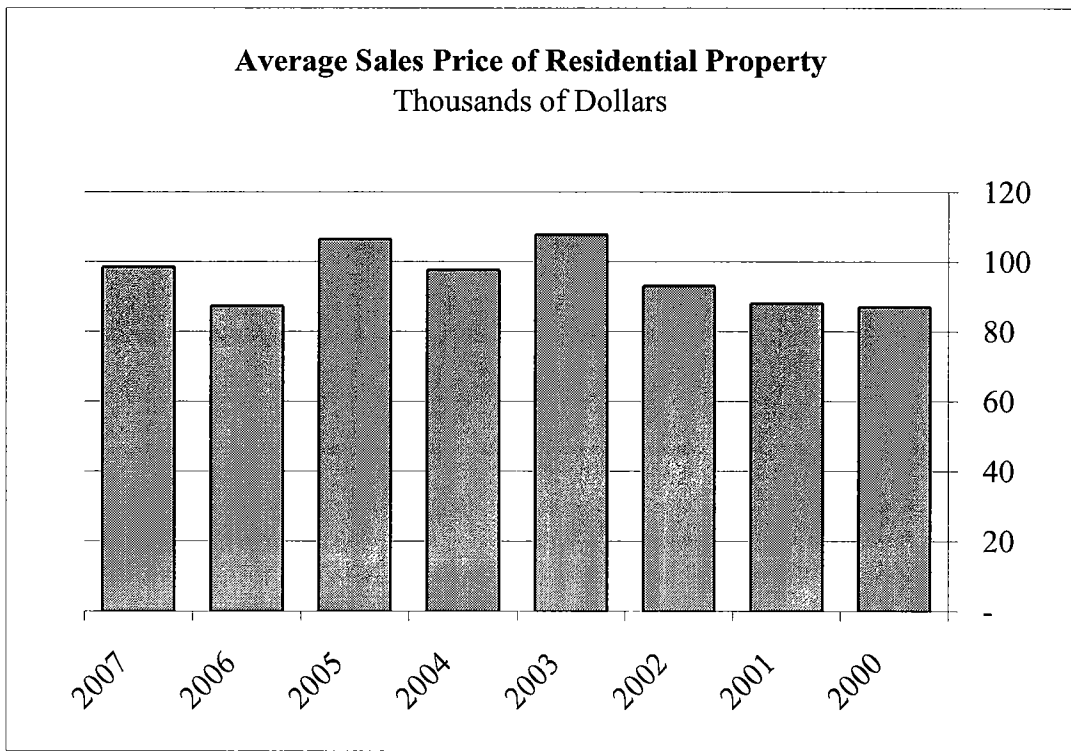
(3) Source: Ohio Department of Education Website: "<http://www.ode.state.oh.us/data/>"

(4) Ohio Department of Job and Family Services

(5) Source: Lorain County Auditor-Chief Appraiser

(6) Computation of per capita personal income multiplied by population

Educational Attainment: Bachelor's Degree or Higher (2)	School Enrollment (3)	Unemployment Rate (4)	Average Sales Price of Residential Property (5)	Total Assessed Property Value
12.6%	8,897	7.4%	\$98,458	\$1,040,922,000
9.9	8,975	6.7	87,227	1,053,456,928
9.9	9,719	6.9	106,379	980,705,772
9.9	9,909	5.8	97,594	979,203,076
9.9	10,322	6.6	107,676	969,147,530
9.9	10,655	6.6	93,033	961,389,440
9.9	10,813	5.8	87,951	917,592,790
9.9	10,619	5.4	86,982	925,211,158



**City of Lorain**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Nine Years (1)**

<b><u>Function/Program</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>
<b>General Government</b>									
Auditor	7.00	7.00	7.00	7.00	7.00	9.00	9.00	9.00	9.00
Civil Service	4.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Clerk of Courts	16.00	15.00	19.00	13.00	14.00	15.00	19.00	15.00	15.00
Council	14.00	15.00	14.00	13.00	15.00	15.00	15.00	15.00	15.00
Electrical	8.00	7.00	8.00	6.00	7.00	6.00	6.00	8.00	7.00
Engineering	12.00	10.00	10.00	10.00	11.00	10.00	10.00	9.00	9.00
Income Tax/Treasurer	9.00	9.00	8.00	8.00	8.00	10.00	8.00	10.00	9.00
Judges	14.00	14.00	16.00	13.00	12.00	16.00	13.00	12.00	12.00
Law Department	11.00	12.00	13.00	10.00	11.00	12.00	11.00	11.00	18.00
Muni Court Computer	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Muni Court Security	5.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Muni Court Probation	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mayor	2.50	2.50	2.50	2.50	2.50	2.50	3.00	3.00	2.00
MIS/Data Processing	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Safety/Service Director	6.30	6.85	7.30	6.04	7.75	8.75	10.25	11.20	13.70
<b>Security of Persons and Property</b>									
Police	105.00	105.00	101.00	83.00	94.00	106.00	109.50	109.00	116.00
Police - Corrections	-	-	2.00	9.00	11.00	12.00	13.50	9.00	10.00
Police - Dispatchers/Office/Other	22.00	22.00	22.00	19.00	21.00	22.00	25.00	25.00	25.00
Fire	79.00	82.00	84.00	83.00	86.00	85.00	92.00	88.00	96.00
Fire - Secretary/Other	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Transportation</b>									
Street Department	24.00	23.00	23.00	19.00	21.00	22.00	26.00	34.00	33.00
<b>Public Health</b>									
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	2.00	3.00	5.00
Dog Warden	1.00	0.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00
Health Department	19.00	25.00	23.00	22.00	22.00	21.00	24.00	24.00	23.00
<b>Community Environment</b>									
Building Inspection	8.00	10.00	10.00	8.00	8.00	8.00	9.00	8.00	13.00
<b>Economic Development</b>									
Community Development	21.00	22.00	19.00	19.71	22.00	22.00	22.00	20.00	20.00
<b>Leisure Time Activities</b>									
Parks & Recreation	9.00	9.00	6.00	4.00	10.00	6.00	14.00	23.00	22.00
<b>Basic Utility Services</b>									
Water	55.42	56.64	59.42	56.20	64.20	71.20	73.20	58.48	63.98
Water Pollution Control	60.48	66.71	66.48	69.25	73.25	76.25	76.25	66.52	64.02
<b>Internal Services</b>									
Garage	9.00	11.00	13.00	10.00	9.00	7.00	9.00	11.30	11.00
Hospitalization	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.50	0.30
Totals:	531	545	544	500	546	572	606	590	619

**Source:** City of Lorain, Ohio Auditor's Office

**Method:** Does not include Police Auxiliary or seasonal employees. Includes full time and permanent part-time employees only.

(1) Information prior to 1999 is not available



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**City of Lorain**  
**Operating Indicators by Function/Program**  
**Last Ten Years**

<u>Function/program</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>General Government (3)</b>			
Purchase Orders Issued	3,591	3,398	3,824
<b>Security of Persons and Property</b>			
<b>Police (4) (a)</b>			
Total Arrests	4,043	6,455	2,536
Offenses (major offenses such as murder and rape)	24	10	20
Offenses (major offenses such as robbery and agg. assault)	295	283	316
Offenses (major offenses such as vehicle theft)	145	146	161
DUI Arrests	166	123	171
Prisoners	0	0	0
Motor Vehicle Accidents	1,646	1,521	1,620
Calls for Service	59,070	64,344	46,321
<b>Fire (5)</b>			
Emergency responses	1,620	2,446	3,382
Fire Safety Inspections/Re-Inspections	627	795	437
Fire Protection Systems Inspected	46	53	32
Building/Fire Protection Plan Review	30	n/a	n/a
<b>Transportation (6)</b>			
Road Maintenance (man hours)*	28,868	14,932	18,364
Asphalt (hot/cold) used in road maintenance (tons)	1,423	1,188	1,801
Concrete used in road maintenance (yards)	2,684	1,530	965
Number of Trees Removed	62	91	77
Truckloads of leaves picked-up	743	129	231
Cubic Yards of leaf humus delivered/sold	307	139	262
Cubic Yards of wood chips delivered/sold	241	23	177
Tons of snow melting salt purchased	10,081	3,892	5,797
<b>Public Health</b>			
Help Me Grow Visits (0-3 years of age) (2)	2,797	2,257	2,459
Adult Immunizations (2)	1,032	1,783	2,660
Children Immunizations (2)	2,651	2,681	2,616
Child Health Clinics (0-21 years) (2)	440	517	581
HIV testing (2)	561	561	591
Number of Births (2)	1,112	1,250	1,134
Number of Deaths (2)	896	903	890

\* Estimated n/a = not available

(a) Methodology changed

(1) City of Lorain Building Department

(2) City of Lorain Health Department

(3) City of Lorain Auditor's Office

(4) City of Lorain Police Department

(5) City of Lorain Fire Department

(6) City of Lorain Street Department

(7) City of Lorain Recreation Dept.

(8) City of Lorain Utilities Department

(9) City of Lorain Mayor's Office

(10) City of Lorain Community Development Department

2004	2003	2002	2001	2000	1999	1998
3,813	3,942	4,097	4,314	4,947	4,853	4,982
2,345	2,801	3,139	3,205	3,214	3,415	3,374
27	15	16	23	26	23	39
286	261	255	256	253	192	265
89	100	97	149	140	117	147
155	175	250	239	289	325	313
2,612	4,121	4,754	3,205	3,214	3,415	3,374
1,683	1,805	2,018	2,011	2,095	2,225	2,083
45,663	43,543	45,384	43,234	41,345	42,152	44,787
3,127	3,514	3,300	3,502	1,921	1,899	2,042
763	732	321	841	926	812	928
37	13	10	33	11	10	14
n/a	n/a	n/a	n/a	n/a	n/a	n/a
17,844	19,830	15,882	23,592	24,545	27,608	33,191
1,421	1,061	873	1,160	1,917	1,313	1,046
1,721	1,670	867	1,986	3,482	4,477	2,746
66	113	96	93	83	92	104
223	217	230	227	219	230	227
209	52	10	175	n/a	n/a	n/a
152	260	221	214	191	212	239
3,940	8,761	6,253	8,060	7,401	6,261	2,035
2,170	2,758	2,464	n/a	n/a	n/a	n/a
1,700	2,625	3,100	n/a	n/a	n/a	n/a
2,831	3,014	2,476	n/a	n/a	n/a	n/a
700	838	81	n/a	n/a	n/a	n/a
586	557	823	n/a	n/a	n/a	n/a
1,188	1,215	1,333	1,507	1,390	1,320	1,197
954	943	980	891	886	858	877

(Continued)

**City of Lorain**  
 Operating Indicators by Function/Program  
 Last Ten Years (*continued*)

<u>Function/program</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Public Health (continued)</b>			
Number of Environmental Inspections (2)	3,287	2,761	2,805
City of Lorain's Recycling Activity-in tons (10)	1,224	953	1,178
Cemetery Internments (9)	149	153	160
Cemetery Spaces/Lots purchased (9)	\$63,075	\$54,300	\$56,750
Internment Fess/Misc. Fees (9)	\$106,875	\$111,682	\$110,300
<b>Community Environment (1)</b>			
Construction Permits Issued	4,406	5,763	5,502
Estimated Value of Construction	\$40,752,431	\$68,451,638	\$48,208,912
Number of Planning Commission docket items	21	48	n/a
<b>Economic Development (10)</b>			
Number of Loans - Home In-Fill	6	4	12
Number of Loans - Home Rehab	3	16	5
Number of Loans - Business	4	1	2
Number of Loans/Projects - 108	1	0	1
Number of Loans/Projects - CDBG	1	0	1
Number of Loans/Projects - EDA Title IX	3	1	2
Number of Loans/Projects - Rental Rehab	1	1	2
Number of Loans/Projects - UDAG	0	1	0
Economic Development Projects approved (square feet)	154,538	10,820	24,200
<b>Leisure Time Activities (7)</b>			
No. of People attending Summer Rec Programs	206	233	144
Attendance at Santa land	2,482	2,469	3,232
<b>Water/Water Pollution Control</b>			
Water/Sewer Bills mailed (8)	296,971	295,889	288,314
Number of Loans -Emergency Loan Program (10)	6	0	0

\* Estimated n/a = not available

- (1) City of Lorain Building Department
- (2) City of Lorain Health Department
- (3) City of Lorain Auditor's Office
- (4) City of Lorain Police Department
- (5) City of Lorain Fire Department

- (6) City of Lorain Street Department
- (7) City of Lorain Recreation Dept.
- (8) City of Lorain Utilities Department
- (9) City of Lorain Mayor's Office
- (10) City of Lorain Community Development Department

2004	2003	2002	2001	2000	1999	1998
2,693	2,770	2,417	4,278	7,679	7,369	7,609
1,218	1,133	1,092	1,265	1,283	1,206	1,111
155	160	176	192	151	164	162
\$62,725	\$51,580	\$47,645	\$48,535	\$39,570	\$42,890	\$44,395
\$74,370	\$76,680	\$81,420	\$85,720	\$63,975	\$71,770	\$66,812
5,529	6,140	6,006	6,704	4,559	4,389	385
\$92,157,798	\$67,034,093	\$48,218,378	\$39,501,474	\$33,866,860	\$37,684,978	\$255,722,431
26	9	18	27	28	20	27
7	6	4	1	0	0	0
7	14	7	12	23	22	22
5	4	5	5	5	5	2
0	1	6	4	0	0	0
0	2	3	2	2	0	1
4	3	4	8	8	0	6
1	1	1	1	1	1	1
0	2	2	1	1	1	0
63,242	98,202	205,188	107,455	34,986	8,150	29,869
n/a	133	121	116	n/a	157	137
1,962	1,183	2,786	2,701	1,927	1,433	1,458
290,530	287,669	286,844	285,373	284,675	283,832	282,794
0	0	0	0	0	0	0

**City of Lorain, Ohio**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Years**

<b>Function/program</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>General Government</b>				
Engineering Vehicles (2)	8	8	7	6
Mayor Vehicles (10)	1	1	1	1
<b>Security of Persons and Property</b>				
<b>Police (5)</b>				
Stations	2	4	3	3
Vehicles	113	111	101	92
<b>Fire (6)</b>				
Stations	4	4	4	4
Vehicles	23	28	26	27
<b>Transportation</b>				
Streets (miles) (7)	285	285	285	281
Number of Traffic lights (2)	410	518	528	528
Vehicles (7)	71	52	38	44
<b>Community Environment</b>				
Inspection Vehicles (1)	9	9	7	7
<b>Economic Development</b>				
Community Development Vehicles (4)	8	7	8	7
<b>Leisure Time Activities (8)</b>				
Number of Parks	56	56	57	57
Number of Pools	3	3	3	3
Vehicles	17	18	22	n/a
<b>Water/Water Pollution Control (9)</b>				
Sanitary sewers (miles)	277	277	280	280
Water lines (miles)	293	293	310	310
Vehicles	82	85	86	90

**Sources:**

- |   |  |
|---|--|
| (1) City of Lorain Building Department              | (6) City of Lorain Fire Department       |
| (2) City of Lorain Engineering Department           | (7) City of Lorain Street Department     |
| (3) City of Lorain Auditor's Office                 | (8) City of Lorain Recreation Department |
| (4) City of Lorain Community Development Department | (9) City of Lorain Utilities Department  |
| (5) City of Lorain Police Department                | (10) City of Lorain Mayor's Office       |

n/a: Information not available

2003	2002	2001	2000	1999	1998
6	6	6	6	6	6
1	1	1	1	1	1
4	2	2	3	3	3
92	112	n/a	n/a	n/a	n/a
4	4	4	4	4	4
28	28	27	26	26	26
279	279	265	220	220	216
528	528	522	522	522	522
45	45	43	41	43	40
6	6	6	6	6	6
7	7	7	6	6	6
57	57	57	56	56	56
3	3	3	3	3	3
n/a	n/a	26	n/a	n/a	28
280	271	267	267	267	267
310	299	297	297	297	297
90	90	90	85	85	85





**City of Lorain, Ohio**  
**Single Audit Reports**  
**December 31, 2007**

# City of Lorain, Ohio

For The Year Ended December 31, 2007

## Table of Contents

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<u>TITLE</u>	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	3-4
Schedule of Expenditures of Federal Awards .....	5-6
Notes to the Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings OMB Circular A-133 Section .505 .....	8-9
Schedule of Prior Audit Findings OMB Circular A-133 Section .315(b).....	10
Corrective Action Plan OMB Circular A-133 Section .315(c).....	11

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the City Council  
City of Lorain, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Ohio (the “City”) as of and for the year ended December 31, 2007, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 27, 2008, wherein we noted the City of Lorain adopted *Governmental Accounting Standards Board Statement Nos. 45, 48 and 50*. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control.

We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2007-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City’s internal control.

Members of the City Council  
City of Lorain, Ohio

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2007-1 and 2007-2.

We noted certain matters that we have reported to management of the City in a separate letter dated June 27, 2008.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the finance committee, City Council, Auditor of States' office, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
June 27, 2008

**Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

Members of the City Council  
City of Lorain, Ohio

**Compliance**

We have audited the compliance of the City of Lorain, Ohio (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City of Lorain complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Members of the City Council  
City of Lorain, Ohio

### **Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2007, and have issued our report thereon dated June 27, 2008, wherein we noted the City of Lorain adopted *Governmental Accounting Standards Board Statement Nos. 45, 48 and 50*. Our audit was performed for the purpose of forming our opinions on the basic financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, finance committee, Auditor of State's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 27, 2008

# City of Lorain, Ohio

## Schedule of Expenditures of Federal Awards

**For The Year Ended December 31, 2007**

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Awarding Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing And Urban Development</b>			
Community Development Block Grant (CDBG)			
Community Development Block Grant	14.218		\$ 3,000,469
Section 108 Program	14.248		121,082
Economic Development Initiative Special Project, Neighborhood Initiative	14.251		49,986
HOME Investment Partnership Program	14.239		<u>552,511</u>
Total U.S. Department of Housing and Urban Development			<u>3,724,048</u>
<b>U.S. Department of Commerce</b>			
Public Works and Economic Development Facilities	11.300		502,686
Economic Adjustment Assistance	11.307		<u>2,368,226</u>
Total U.S. Department of Commerce			<u>2,870,912</u>
<b>U.S. Department of Transportation</b>			
Passed-through Ohio Department of Transportation	20.205	PID #80508	515,145
Passed-through Ohio Department of Public Safety: State and Community Highway Safety Grant	20.600	HVEO-2007-47-00-00- 00505-00	<u>26,064</u>
Total U.S. Department of Transportation			<u>541,209</u>
<b>U.S. Department of Health and Human Services</b>			
Passed-through Ohio Department of Health:			
Public Health Infrastructure Grant	93.283	47-1-001-2-BI-06	82,955
HIV Prevention Grant	93.940	263-440-5238-6	30,108
Cardiovascular Health Grant	93.991	47-2-002-2-ED-07	<u>77,691</u>
Total U.S. Department of Health and Human Services			<u>190,754</u>

(Continued)

**City of Lorain, Ohio**

**Schedule of Expenditures of Federal Awards (Continued)**

**For The Year Ended December 31, 2007**

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<u>Federal Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Awarding Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Justice</b>			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants	16.579		3,491
Public Safety Partnership and Community Policing Grant (COPS)	16.710		<u>121,598</u>
Total U.S. Department of Justice			<u>125,089</u>
Total Federal Awards Expenditures			\$ <u>7,452,012</u>

The accompanying notes are an integral part of this schedule.



# City of Lorain, Ohio

## Notes to The Schedule of Expenditures of Federal Awards

### For The Year Ended December 31, 2007

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#### NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lorain, Ohio and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### NOTE 2 - SUBRECIPIENTS

The City passes-through certain Federal assistance received from the U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note 1, the City records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the City is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

#### NOTE 3 – LOANS

##### A. Home Program Loans

The City of Lorain disburses loans under the HOME Investment Partnership Program (CFDA #14.239). These loan amounts are included in the federal expenditures presented in the Schedule for the HOME Program.

##### B. Section 108 Loans

The City has borrowed and expended 5 loans from the HUD under Section 108 of Title 1 of the Housing and Community Development Act, as amended. The funds were used in connection with economic development of local businesses. Principal and interest payments are due semi-annually. The loans and related activities have been reflected in the Schedule of Federal Awards. The terms and balances due as of December 31, 2007 are as follows:

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Length of Term</u>	<u>Balance at December 31, 2007</u>
December 15, 1992	\$ 2,200,000	20 years	\$ 550,000
December 15, 1992	200,000	20 years	50,000
June 14, 2000	2,500,000	19.5 years	1,500,000
August 8, 2002	2,000,000	19 years	1,375,000
July 6, 2004	2,200,000	20 years	1,980,000

# City of Lorain, Ohio

## Schedule of Findings OMB Circular A-133, Section .505

**December 31, 2007**

### 1. Summary of Auditors' Results

(d)(I)(I)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Community Development Block Grant, CFDA # 14.218, Section 108 Program, CFDA # 14.248, Federal Aid Highway Program, CFDA # 20.205
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

### 2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS

2007-1 – Material noncompliance

Ohio Revised Code 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had deficit cash balances at December 31, 2007:

General Fund	\$ 323,176
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# City of Lorain, Ohio

## Schedule of Findings (Continued) OMB Circular A-133, Section .505

December 31, 2007

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### 2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS (continued)

2007-2 – Material Noncompliance

Ohio Revised Code 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2007, the City had expenditures plus encumbrances in excess of appropriations as follows:

<u>Major Funds</u>	<u>Excess</u>
General Fund	
Civil Service	
Wages and Benefits	\$ 1,081
Council	
Wages and Benefits	344
Mayor	
Wages and Benefits	2,129
Auditor	
Wages and Benefits	5,212
Treasurer	
Wages and Benefits	4,466
Law Director	
Wages and Benefits	1,640
Clerk of Courts	
Wages and Benefits	4,024
Electrical Department	
Wages and Benefits	5,715
Safety / Service Director	
Wages and Benefits	1,654
Contractual Services	1,091,878
Engineering	
Wages and Benefits	8,222
Data Processing	
Wages and Benefits	7,509
Police Department	
Wages and Benefits	94,347
Materials and Supplies	14,354
Fire Department	
Wages and Benefits	101,255
Cemetery	
Wages and Benefits	2,210
Dog Warden	
Wages and Benefits	87
Materials and Supplies	70

# City of Lorain, Ohio

## Schedule of Findings (Continued) OMB Circular A-133, Section .505

**December 31, 2007**

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Building Department	
Wages and Benefits	2,000
Water Works	
Personal Services	6,748
Basic Utilities	7,688
Water Pollution Control	
Personal Services	83,531
Basic Utilities	21,976
Capital Outlay	2,064,664
<b><u>Non-Major Funds</u></b>	
Streets	
Wages and Benefits	15,761
Materials and Supplies	97,444
Municipal Court Computer	
Wages and Benefits	196
Municipal Court Probation	
Wages and Benefits	180
Garage	
Wages and Benefits	7,968
Hospitalization	
Wages and Benefits	48
Claims	247,478

2007-3 – Significant deficiency

Sound financial reporting is the responsibility of the City Auditor and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The following audit adjustments were made to the financial statements:

1. Adjusted property and other taxes receivable to properly record franchise fee receivable.
2. Adjusted loan receivable to actual.
3. Adjusted income tax receivable to actual.
4. Adjusted accounts payable to actual.

## **City of Lorain, Ohio**

### **Schedule of Findings (Continued) OMB Circular A-133, Section .505**

**December 31, 2007**

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The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

We recommend the City adopts policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the City thereby increasing the reliability of the financial data at year-end. Although the City has contracted a third party to perform their GAAP Conversion, the City's management needs to review the statements to be sure that all items are being properly recorded.

### **3. Findings for Federal Awards**

There were no findings for federal awards to report in 2007.

## City of Lorain, Ohio

### Schedule of Prior Audit Findings OMB Circular A-133, Section .315(b)

**December 31, 2007**

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<b>Finding No.</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Explanation</b>
2006-1	<p>Ohio Rev. Code 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established.</p> <p>At December 31, 2006, the City's general fund had a deficit cash balance. This condition indicates that money from one fund is used to cover the expenses of another.</p>	No	The City had non-compliance in this area again in the year 2007.
2006-2	<p>Ohio Rev. Code 5705.41(B) states that no subdivision or taking unit is to expend money unless it has been appropriated.</p> <p>At December 31, 2006, the City had expenditures plus encumbrances in excess of appropriations in some funds. This condition results in the city overspending its authorized appropriations.</p>	No	The City had non-compliance in this area again in the year 2007.

## City of Lorain

200 West Erie Avenue, 6<sup>TH</sup> Floor  
Lorain, Ohio 44052  
(440) 204-2090

Response to Findings Associated With  
Audit Conducted In Accordance With  
*Government Auditing Standards*  
For The Year Ended December 31, 2007

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2007-1	Management will monitor fund balances and properly advance funds to cover deficit fund balances, if necessary.	N/A	Ronald Mantini, Auditor
2007-2	Management will monitor expenditures and encumbrances and amend appropriations, if necessary.	N/A	Ronald Mantini, Auditor
2007-3	Management will create and implement written policies and procedures relating to the financial reporting process	N/A	Ronald Mantini, Auditor







**Mary Taylor, CPA**  
Auditor of State

**CITY OF LORAIN**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 14, 2008**