



**City of Lorain**  
**Lorain County, Ohio**

**Financial Forecast**

**For the Years Ending**  
**December 31, 2023 through December 31, 2027**

**Local Government Services Section**



# City of Lorain, Lorain County

## *Financial Forecast*

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# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

## INDEPENDENT ACCOUNTANT'S REPORT

City of Lorain  
200 West Erie Avenue  
Lorain, Ohio 44052

To the City Council

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the City of Lorain for the years ending December 31, 2023 through December 31, 2027. The City of Lorain's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants and the underlying assumptions provide a reasonable basis for Council's forecast.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the City of Lorain for the years ended December 31, 2023, 2024, 2025, 2026 and 2027 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on it. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the City's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Keith Faber  
Auditor of State  
Columbus, Ohio

**City of Lorain, Lorain County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2020 Through 2022, Actual*  
*and Ending December 31, 2023 Through 2027, Forecasted*  
**General Fund**

	2020 Actual	2021 Actual	2022 Actual
<b>Revenues</b>			
Property Taxes	\$2,160,000	\$2,266,000	\$2,460,000
Municipal Income Taxes	20,159,000	22,103,000	24,214,000
Intergovernmental	3,637,000	4,127,000	4,533,000
Charges for Services	1,033,000	1,221,000	1,143,000
Licenses, Permits and Fees	919,000	1,041,000	1,141,000
Fines and Forfeitures	808,000	930,000	1,018,000
Interest	223,000	26,000	290,000
Other Revenue	7,252,000	4,436,000	4,551,000
<i>Total Revenues</i>	<u>36,191,000</u>	<u>36,150,000</u>	<u>39,350,000</u>
<b>Expenditures</b>			
Current:			
Security of Persons and Property			
Police			
Wages and Benefits	12,655,000	12,704,000	13,130,000
Contractual Services	148,000	204,000	186,000
Materials and Supplies	349,000	401,000	510,000
Capital Outlay	625,000	0	0
Other	180,000	221,000	257,000
Total Police Department	<u>13,957,000</u>	<u>13,530,000</u>	<u>14,083,000</u>
Fire			
Wages and Benefits	8,006,000	7,955,000	9,233,000
Contractual Services	66,000	65,000	61,000
Materials and Supplies	248,000	227,000	591,000
Capital Outlay	41,000	37,000	125,000
Other	19,000	21,000	37,000
Total Fire Department	<u>8,380,000</u>	<u>8,305,000</u>	<u>10,047,000</u>
Total Security of Persons and Property	<u>22,337,000</u>	<u>21,835,000</u>	<u>24,130,000</u>
Public Health and Welfare			
Cemetery			
Wages and Benefits	160,000	185,000	196,000
Contractual Services	18,000	15,000	18,000
Materials and Supplies	15,000	40,000	22,000
Capital Outlay	0	0	27,000
Other	0	0	0
Total Public Health and Welfare	<u>\$193,000</u>	<u>\$240,000</u>	<u>\$263,000</u>

2023 Forecasted	2024 Forecasted	2025 Forecasted	2026 Forecasted	2027 Forecasted
\$2,690,000	\$2,580,000	\$2,708,000	\$2,734,000	\$2,842,000
25,975,000	25,984,000	23,448,000	24,184,000	24,943,000
4,492,000	4,122,000	3,872,000	3,837,000	3,872,000
1,097,000	1,073,000	1,073,000	1,073,000	1,073,000
1,318,000	1,318,000	1,207,000	1,207,000	1,207,000
1,152,000	1,152,000	1,152,000	1,152,000	1,152,000
864,000	432,000	432,000	432,000	432,000
1,598,000	981,000	981,000	981,000	981,000
<u>39,186,000</u>	<u>37,642,000</u>	<u>34,873,000</u>	<u>35,600,000</u>	<u>36,502,000</u>
13,556,000	14,513,000	15,120,000	15,292,000	15,958,000
170,000	177,000	177,000	177,000	177,000
516,000	444,000	444,000	444,000	444,000
0	0	0	0	0
59,000	18,000	18,000	18,000	18,000
<u>14,301,000</u>	<u>15,152,000</u>	<u>15,759,000</u>	<u>15,931,000</u>	<u>16,597,000</u>
8,929,000	9,531,000	9,339,000	9,376,000	9,687,000
60,000	62,000	62,000	62,000	62,000
313,000	345,000	345,000	345,000	345,000
23,000	373,000	56,000	56,000	56,000
36,000	101,000	101,000	101,000	101,000
<u>9,361,000</u>	<u>10,412,000</u>	<u>9,903,000</u>	<u>9,940,000</u>	<u>10,251,000</u>
<u>23,662,000</u>	<u>25,564,000</u>	<u>25,662,000</u>	<u>25,871,000</u>	<u>26,848,000</u>
202,000	218,000	220,000	222,000	225,000
3,000	13,000	13,000	13,000	13,000
38,000	29,000	29,000	29,000	29,000
0	112,000	7,000	7,000	7,000
0	24,000	24,000	24,000	24,000
<u>\$243,000</u>	<u>\$396,000</u>	<u>\$293,000</u>	<u>\$295,000</u>	<u>\$298,000</u>

(continued)

**City of Lorain, Lorain County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2020 Through 2022, Actual*  
*and Ending December 31, 2023 Through 2027, Forecasted*  
*General Fund (continued)*

	2020 Actual	2021 Actual	2022 Actual
Leisure Time Activities			
Parks & Recreation			
Wages and Benefits	\$338,000	\$383,000	\$453,000
Contractual Services	63,000	65,000	60,000
Materials and Supplies	145,000	202,000	169,000
Capital Outlay	0	45,000	19,000
Other	0	0	0
Total Leisure Time Activities	<u>546,000</u>	<u>695,000</u>	<u>701,000</u>
Community Environment			
Building Inspection			
Wages and Benefits	793,000	978,000	1,172,000
Contractual Services	76,000	97,000	64,000
Materials and Supplies	11,000	24,000	24,000
Capital Outlay	1,000	25,000	83,000
Other	17,000	36,000	37,000
Total Community Environment	<u>898,000</u>	<u>1,160,000</u>	<u>1,380,000</u>
Economic Development			
Economic Development			
Wages and Benefits	0	0	9,000
Contractual Services	0	0	94,000
Other	0	7,000	0
Total Economic Development	<u>0</u>	<u>7,000</u>	<u>103,000</u>
General Government			
Civil Service			
Wages and Benefits	65,000	77,000	78,000
Contractual Services	21,000	25,000	30,000
Materials and Supplies	0	1,000	0
Other	1,000	0	1,000
Total Civil Service	<u>87,000</u>	<u>103,000</u>	<u>109,000</u>
Council			
Wages and Benefits	324,000	382,000	340,000
Contractual Services	9,000	16,000	6,000
Materials and Supplies	4,000	1,000	1,000
Capital Outlay	1,000	1,000	1,000
Other	4,000	6,000	5,000
Total Council	<u>\$342,000</u>	<u>\$406,000</u>	<u>\$353,000</u>



2023 Forecasted	2024 Forecasted	2025 Forecasted	2026 Forecasted	2027 Forecasted
\$667,000	\$1,054,000	\$1,054,000	\$1,054,000	\$1,054,000
204,000	98,000	98,000	98,000	98,000
177,000	173,000	173,000	173,000	173,000
23,000	421,000	22,000	22,000	22,000
0	92,000	92,000	92,000	92,000
<u>1,071,000</u>	<u>1,838,000</u>	<u>1,439,000</u>	<u>1,439,000</u>	<u>1,439,000</u>
1,330,000	1,303,000	1,312,000	1,326,000	1,336,000
278,000	408,000	358,000	358,000	358,000
25,000	21,000	21,000	21,000	21,000
1,000	9,000	9,000	9,000	9,000
15,000	17,000	16,000	16,000	16,000
<u>1,649,000</u>	<u>1,758,000</u>	<u>1,716,000</u>	<u>1,730,000</u>	<u>1,740,000</u>
10,000	10,000	10,000	10,000	10,000
0	0	0	0	0
0	0	0	0	0
<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
78,000	83,000	83,000	83,000	83,000
5,000	20,000	20,000	20,000	20,000
2,000	1,000	1,000	1,000	1,000
1,000	1,000	1,000	1,000	1,000
<u>86,000</u>	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
333,000	327,000	328,000	329,000	331,000
21,000	13,000	13,000	13,000	13,000
1,000	2,000	2,000	2,000	2,000
0	0	0	0	0
3,000	4,000	4,000	4,000	4,000
<u>\$358,000</u>	<u>\$346,000</u>	<u>\$347,000</u>	<u>\$348,000</u>	<u>\$350,000</u>

(continued)

**City of Lorain, Lorain County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2020 Through 2022, Actual*  
*and Ending December 31, 2023 Through 2027, Forecasted*  
*General Fund (continued)*

	2020 Actual	2021 Actual	2022 Actual
<b>Mayor</b>			
Wages and Benefits	\$248,000	\$247,000	\$244,000
Contractual Services	1,000	0	0
Materials and Supplies	0	0	0
<b>Total Mayor</b>	<b>249,000</b>	<b>247,000</b>	<b>244,000</b>
<b>Auditor</b>			
Wages and Benefits	644,000	747,000	712,000
Contractual Services	91,000	107,000	109,000
Materials and Supplies	27,000	26,000	22,000
Capital Outlay	70,000	0	0
Other	2,000	3,000	3,000
<b>Total Auditor</b>	<b>834,000</b>	<b>883,000</b>	<b>846,000</b>
<b>Treasurer</b>			
Wages and Benefits	466,000	548,000	567,000
Contractual Services	84,000	110,000	94,000
Materials and Supplies	2,000	8,000	7,000
Other	49,000	54,000	45,000
<b>Total Treasurer</b>	<b>601,000</b>	<b>720,000</b>	<b>713,000</b>
<b>Law Director</b>			
Wages and Benefits	900,000	1,137,000	1,142,000
Contractual Services	3,000	3,000	8,000
Materials and Supplies	3,000	2,000	3,000
Capital Outlay	1,000	11,000	0
Other	2,000	3,000	7,000
<b>Total Law Director</b>	<b>909,000</b>	<b>1,156,000</b>	<b>1,160,000</b>
<b>Judges</b>			
Wages and Benefits	687,000	937,000	1,147,000
Contractual Services	17,000	19,000	45,000
Materials and Supplies	6,000	4,000	3,000
Other	14,000	6,000	3,000
<b>Total Judges</b>	<b>724,000</b>	<b>966,000</b>	<b>1,198,000</b>
<b>Clerk of Courts</b>			
Wages and Benefits	846,000	1,040,000	1,091,000
Contractual Services	19,000	68,000	49,000
Materials and Supplies	66,000	64,000	68,000
Capital Outlay	3,000	4,000	1,000
Other	0	1,000	1,000
<b>Total Clerk of Courts</b>	<b>934,000</b>	<b>1,177,000</b>	<b>1,210,000</b>
<b>Electrical</b>			
Wages and Benefits	34,000	43,000	43,000
Contractual Services	3,000	3,000	2,000
Materials and Supplies	3,000	10,000	26,000
<b>Total Electrical</b>	<b>\$40,000</b>	<b>\$56,000</b>	<b>\$71,000</b>

2023 Forecasted	2024 Forecasted	2025 Forecasted	2026 Forecasted	2027 Forecasted
\$243,000	\$301,000	\$301,000	\$302,000	\$305,000
0	0	0	0	0
2,000	1,000	1,000	1,000	1,000
<u>245,000</u>	<u>302,000</u>	<u>302,000</u>	<u>303,000</u>	<u>306,000</u>
711,000	712,000	714,000	719,000	721,000
74,000	95,000	95,000	95,000	95,000
25,000	25,000	25,000	25,000	25,000
0	0	0	0	0
2,000	2,000	2,000	2,000	2,000
<u>812,000</u>	<u>834,000</u>	<u>836,000</u>	<u>841,000</u>	<u>843,000</u>
639,000	573,000	578,000	584,000	587,000
34,000	81,000	81,000	81,000	81,000
8,000	6,000	6,000	6,000	6,000
34,000	46,000	46,000	46,000	46,000
<u>715,000</u>	<u>706,000</u>	<u>711,000</u>	<u>717,000</u>	<u>720,000</u>
1,116,000	1,212,000	1,221,000	1,230,000	1,238,000
2,000	4,000	4,000	4,000	4,000
5,000	3,000	3,000	3,000	3,000
0	3,000	3,000	3,000	3,000
7,000	5,000	5,000	5,000	5,000
<u>1,130,000</u>	<u>1,227,000</u>	<u>1,236,000</u>	<u>1,245,000</u>	<u>1,253,000</u>
1,154,000	1,154,000	1,154,000	1,154,000	1,154,000
14,000	24,000	24,000	24,000	24,000
6,000	5,000	5,000	5,000	5,000
4,000	4,000	4,000	4,000	4,000
<u>1,178,000</u>	<u>1,187,000</u>	<u>1,187,000</u>	<u>1,187,000</u>	<u>1,187,000</u>
1,134,000	1,226,000	1,235,000	1,243,000	1,252,000
28,000	41,000	41,000	41,000	41,000
52,000	63,000	63,000	63,000	63,000
1,000	2,000	2,000	2,000	2,000
1,000	1,000	1,000	1,000	1,000
<u>1,216,000</u>	<u>1,333,000</u>	<u>1,342,000</u>	<u>1,350,000</u>	<u>1,359,000</u>
44,000	44,000	44,000	44,000	44,000
0	2,000	2,000	2,000	2,000
22,000	15,000	15,000	15,000	15,000
<u>\$66,000</u>	<u>\$61,000</u>	<u>\$61,000</u>	<u>\$61,000</u>	<u>\$61,000</u>

(continued)

**City of Lorain, Lorain County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2020 Through 2022, Actual*  
*and Ending December 31, 2023 Through 2027, Forecasted*  
*General Fund (continued)*

	2020 Actual	2021 Actual	2022 Actual
Service/Safety Director			
Wages and Benefits	\$462,000	\$476,000	\$525,000
Contractual Services	1,492,000	1,830,000	2,320,000
Materials and Supplies	79,000	106,000	196,000
Capital Outlay	32,000	61,000	42,000
Other	361,000	382,000	596,000
Total Service/Safety Director	<u>2,426,000</u>	<u>2,855,000</u>	<u>3,679,000</u>
Information Technology			
Wages and Benefits	357,000	421,000	428,000
Contractual Services	330,000	405,000	424,000
Materials and Supplies	7,000	7,000	5,000
Capital Outlay	15,000	20,000	23,000
Other	36,000	37,000	48,000
Total Information Technology	<u>745,000</u>	<u>890,000</u>	<u>928,000</u>
RTI Material Collection			
Wages and Benefits	5,000	0	0
Materials and Supplies	12,000	5,000	13,000
Total RTI Material Collection	<u>17,000</u>	<u>5,000</u>	<u>13,000</u>
Total General Government	<u>7,908,000</u>	<u>9,464,000</u>	<u>10,524,000</u>
<i>Total Expenditures</i>	<u>31,882,000</u>	<u>33,401,000</u>	<u>37,101,000</u>
Excess of Revenues Over (Under) Expenditures	<u>4,309,000</u>	<u>2,749,000</u>	<u>2,249,000</u>
<b>Other Financing Sources (Uses)</b>			
Lease Proceeds	625,000	0	0
Advances In	0	229,000	1,000
Advances Out	(229,000)	(1,000)	(57,000)
Transfers In	3,000	1,067,000	42,000
Transfers Out	(1,497,000)	(1,510,000)	(1,578,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,098,000)</u>	<u>(215,000)</u>	<u>(1,592,000)</u>
Changes in Fund Balances	3,211,000	2,534,000	657,000
Fund Balance (Deficit) Beginning of Year	<u>4,304,000</u>	<u>7,515,000</u>	<u>10,049,000</u>
Fund Balance (Deficit) End of Year Before Renewal Levy	<u>7,515,000</u>	<u>10,049,000</u>	<u>10,706,000</u>
<b>Revenue from Renewal Levy</b>			
.25 percent Income Tax	<u>0</u>	<u>0</u>	<u>0</u>
Cumulative Balance of Renewal Levy	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year After Renewal Levy	<u><u>\$7,515,000</u></u>	<u><u>\$10,049,000</u></u>	<u><u>\$10,706,000</u></u>

See accompanying summary of significant forecast assumptions and accounting policies  
See Independent Accountant's Report

2023 Forecasted	2024 Forecasted	2025 Forecasted	2026 Forecasted	2027 Forecasted
\$548,000	\$526,000	\$531,000	\$536,000	\$541,000
1,668,000	1,723,000	1,723,000	1,723,000	1,723,000
114,000	124,000	124,000	124,000	124,000
9,000	756,000	41,000	41,000	41,000
357,000	424,000	424,000	424,000	424,000
<u>2,696,000</u>	<u>3,553,000</u>	<u>2,843,000</u>	<u>2,848,000</u>	<u>2,853,000</u>
414,000	554,000	556,000	560,000	564,000
275,000	548,000	548,000	548,000	548,000
5,000	6,000	6,000	6,000	6,000
35,000	24,000	24,000	24,000	24,000
44,000	45,000	24,000	2,000	2,000
<u>773,000</u>	<u>1,177,000</u>	<u>1,158,000</u>	<u>1,140,000</u>	<u>1,144,000</u>
0	0	0	0	0
18,000	12,000	12,000	12,000	12,000
<u>18,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
9,293,000	10,843,000	10,140,000	10,157,000	10,193,000
35,928,000	40,409,000	39,260,000	39,502,000	40,528,000
<u>3,258,000</u>	<u>(2,767,000)</u>	<u>(4,387,000)</u>	<u>(3,902,000)</u>	<u>(4,026,000)</u>
976,000	0	0	0	0
57,000	150,000	150,000	150,000	150,000
(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
11,000	84,000	67,000	55,000	33,000
<u>(1,311,000)</u>	<u>(1,275,000)</u>	<u>(1,344,000)</u>	<u>(1,330,000)</u>	<u>(744,000)</u>
<u>(417,000)</u>	<u>(1,191,000)</u>	<u>(1,277,000)</u>	<u>(1,275,000)</u>	<u>(711,000)</u>
2,841,000	(3,958,000)	(5,664,000)	(5,177,000)	(4,737,000)
10,706,000	13,547,000	9,589,000	3,925,000	(1,252,000)
<u>13,547,000</u>	<u>9,589,000</u>	<u>3,925,000</u>	<u>(1,252,000)</u>	<u>(5,989,000)</u>
0	0	3,350,000	3,455,000	3,563,000
0	0	3,350,000	6,805,000	10,368,000
<u>\$13,547,000</u>	<u>\$9,589,000</u>	<u>\$7,275,000</u>	<u>\$5,553,000</u>	<u>\$4,379,000</u>

**City of Lorain – Lorain County, Ohio**  
*Summary of Significant Forecast Assumptions and Accounting Policies*  
*For the Years Ending December 31, 2023 through 2027*

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**Note 1 – The City**

The City of Lorain (the City) is located in Northeast Ohio in Lorain County and was incorporated as a city in 1896 under the laws of the State of Ohio. The City operates under a council-mayor form of government. Elected officials include eleven council members, a council president, and a mayor.

The City provides various services and consists of many different activities and smaller accounting entities. Among those included are police and fire protection, planning, zoning, street construction, maintenance and repair, water and sewer services, municipal court services, and a staff to provide the necessary support to these service providers. Each of these activities and entities is under the direct control of City Council, which appropriates for, and finances, their operation.

**Note 2 – Nature of Presentation**

The financial forecast presents, to the best of the knowledge and belief of the City’s management and elected officials whose operations are financed by the general fund, the expected revenues, expenditures and changes in fund balance of the general fund for the years ending December 31, 2023 through December 31 2027. Accordingly, the forecast reflects the management’s judgment of the expected conditions and its expected course of action as of December 12, 2023, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

**Note 3 – Summary of Significant Accounting Policies**

**A. Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts and disbursements, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**B. Fund Accounting**

The City maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

**General Fund** – The general fund is the operating fund of the City and is used to account for and report all financial resources except those required to be accounted for and reported in another fund.

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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.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Debt Service Funds – Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal, interest and related costs.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Permanent Funds – Permanent funds should be used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the City or its residents.

Proprietary Funds

Enterprise Funds – Enterprise funds may be used to account for and report any activity for which a fee is charged to external users for goods or services.

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

Fiduciary Funds

The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Lorain County Auditor, as secretary of the county budget commission, by July 20 of each year, for the succeeding year.

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Estimated Resources – On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the City, which states the projected receipts of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by City Council. The temporary appropriation ordinance remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City Council. The appropriation ordinance may be amended or supplemented during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

Encumbrances – The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

**Note 4 – Significant Assumptions for Revenues and Other Financing Sources**

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property in the City. The County Treasurer collects property taxes for all taxing districts in the County. The City may request advances from the Lorain County Auditor as the taxes are collected. When settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the City for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last triennial update was completed in 2021 for taxes collected in 2022. The next reappraisal will take place in 2024 for taxes collected in 2025 with the next triennial update scheduled for 2027. The City’s assessed values upon which property tax receipts were based for the last four years are as follows:



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	2020	2021	2022	2023
Real Property	\$782,424,300	\$788,944,410	\$911,875,850	\$916,306,020
Public Utility Personal Property	84,875,460	96,719,340	102,404,930	105,830,860
Total	<u>\$867,299,760</u>	<u>\$885,663,750</u>	<u>\$1,014,280,780</u>	<u>\$1,022,136,880</u>

The property tax revenues are generated from inside and voted millage and receipted into the general fund, fire pension fund, police pension fund, fire levy fund and the bond retirement fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Full Tax Rate (per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	\$3.36
Fire Pension Fund	Inside Ten Mill Limitation (Unvoted)	0.30
Police Pension Fund	Inside Ten Mill Limitation (Unvoted)	0.30
Fire Levy Fund	Five Year - Current Expense (2016)	1.70
Bond Retirement	Inside Ten Mill Limitation (Unvoted)	1.00
Total Tax Levy		<u>\$6.66</u>

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. 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.

Real Property - Real property taxes are forecasted to increase slightly in 2023 from 2022 due to an increase in assessed values as well as an increase in delinquent collections. The assessed property values are expected to increase through 2027 due to the overall economy of the City as well as the reappraisal and triennial update.

**B. Municipal Income Taxes**

The City levies and collects a municipal income tax of two and one-half percent on substantially all salaries, wages, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of two percent of gross wages. 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. Two percent is levied for general purposes, one quarter percent is restricted for the police levy fund, and one quarter percent is restricted for the street fund.

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Income tax is anticipated to increase in 2023 due to the City actively pursuing delinquencies. The remaining years of the forecast period are expected to increase each year due to expected increases in overall employment and wage levels within the City; however, a decrease will be shown in the revenues section of the forecast because an income tax levy will be up for renewal during 2024.

The City has one-quarter of one percent income tax levy up for renewal in 2024 with the last year of collection in 2024. While the City anticipates renewing this levy, voter approval is uncertain, and the tax revenues have been excluded from the revenues section and presented under the heading Revenue from Renewal Levy. Increases of \$814,000, \$841,000, and \$867,000 in total income tax revenues are forecasted for years 2025, 2026 and 2027, respectively.

#### C. Intergovernmental Revenues

Intergovernmental revenues include local government monies, property tax allocations for rollback, homestead, JEDD distributions and grants. The local government funds are distributed monthly by the State to the County and by the County Auditor to the City. The property tax allocations for rollback and homestead are received from the State and are based on information provided by the County Auditor.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes caused by the homestead and rollback tax relief programs.

In December 2020, the City entered into a contract with Elyria Township to create a Joint Economic Development District (JEDD). The agreement results in an income tax that shall be imposed based on the City's municipal code at a rate of 2.5 percent to be paid by employees of businesses located in the JEDD and on the net profits of businesses located in the JEDD. The City receives 75 percent of the revenues generated by this agreement. The initial term of the contract expires on December 31, 2050. The City receives quarterly payments from the JEDD. JEDD revenues are forecasted to decrease in 2023 and 2024 due to decrease in wages in the JEDD. 2025 through 2027 are forecasted to remain consistent with 2024.

The City attempts to secure grant funding each year. In 2023, the City received several police grants and a Brownfield Remediation grant totaling \$374,000. In 2024, the City has been awarded additional police grants totaling \$285,000. This has been removed from the remaining forecast years since it is undetermined what grants the City may be awarded.

The other items making up the intergovernmental revenue during 2024 through 2027 is expected to remain relatively consistent.

D. Charges for Services – Charges for services represent cemetery operations, rentals, charges to the Lorain Metropolitan Housing Authority and others for police services, weed removal charges and for various chargebacks to the other funds for administrative services. These revenues are anticipated to decrease overall in 2023, due to a decrease in cemetery charges, the administrative chargebacks to other funds as well as a decrease in weed removal fees. The decrease in 2024 is due to a decrease in auxiliary police charges and the JEDD convenience fees. 2025 through 2027 is forecasted to remain consistent with 2024.

E. Licenses, Permits and Fees – Fees, licenses and permits receipts represent building and housing permits, fire permits, and various other fees and permits. Licenses, permits and fees are anticipated to increase in 2023 due to large development currently ongoing in the City. This is forecasted to remain consistent in

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2024 due to another large development project that will carryover into 2024. It is expected that revenue will decrease slightly in 2025 as the building projects are completed and then remain at this level for the remainder of the forecast period.

F. Fines and Forfeitures – Fines and forfeitures represent revenues received from court fines. The City is forecasting an increase in collections 2023 due to the Municipal Court being back to fully operational. The revenue is forecasted to remain consistent for the remaining forecast period.

G. Interest – Interest receipts are expected to increase in 2023 due to the overall economy and cash balances. The City is conservatively forecasting a decrease in the remaining forecast period.

H. Other Revenue – Other revenues consist mainly of various rentals, donations, refunds and reimbursements. In prior years, the City received workers' compensation rebates, reimbursement for COVID-19 expenditures under the Coronavirus Aid, Relief and Economic Security (CARES) Act and revenue loss reimbursement as outlined in the American Rescue Plan Act (ARPA). The decrease in 2023 is due to the decreased allocated ARPA revenue loss reimbursement. Other revenue is projected to decrease in 2024 due to no ARPA revenue loss reimbursement and then remain consistent through 2027. The City has \$2,850,000 in additional ARPA revenue loss reimbursements that could be allocated to the general fund.

I. Lease Proceeds – In 2020, the City signed a lease purchase agreement for the purchase of police vehicles. In 2023, the City signed a various equipment lease purchase agreement for the purchase of a pumper truck for the fire department, a backhoe for the cemetery and for various equipment for parks. No additional debt issuances are anticipated during the forecast period.

**Note 5 – Significant Assumptions for Expenditures**

A. Wages

Wages include the salaries paid to the employees and elected officials of the City relating to regular wages, overtime wages, hazard duty wages, holiday, vacation, sick and compensatory time conversion hours and longevity for those who qualify. In addition to regular salaries, it includes payment for severance pay and for shift deferential specific to fire employees. The City's employees and elected officials, other than City Council and Civil Service Commission members, are paid on a bi-weekly basis. City Council and Civil Service Commission members are paid monthly. City Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave.

The City has labor agreements with the Fraternal Order of Police (FOP), Incorporated, the Fraternal Order of Police (FOP) Ohio Labor Council Telecommunicator/Information Officer, Incorporated, the International Association of Fire Fighters and the United Steel Workers 6621. All agreements expired on December 31, 2022. The Fraternal Order of Police (FOP) was settled on December 4, 2023, retroactive to January 1, 2023. Bargaining unit employees are paid longevity based on years of service, provided they have the required years of experience and have been with the City prior to specified dates outlined in the contracts.

No increases are expected for the elected officials within the forecast period. The forecast assumes that all bargaining and non-bargaining unit members will continue to receive longevity increases based upon negotiated agreements per year throughout the forecast period.

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In 2023, the City passed an ordinance approving the collective bargaining agreement between the City and the Fraternal Order of Police. With this passage, the police officers are scheduled to receive a 12.6 percent raise, retroactive to hours worked starting on January 1, 2023, and an additional 2 percent raise specific to 2024, both to be paid in 2024. Police officers are also scheduled to receive a 2 percent raise for 2025. No additional base wage increases have been forecasted in 2025 through 2027. The raises to the police officers also consider variable pay amounts to include overtime, holiday, vacation and compensatory time sell back, hazard duty pay and retirements that can fluctuate each year. The police officer pay is also affected by the utilization of grant funding specific to the number of police officers covered which varies over the forecast period.

The City has a COPS grant paying for the costs associated with 4 police officers. This grant is set to expire at the end of 2024. The City has a US Department of Justice grant paying for the costs associated with 1 police officer. This grant is set to expire at the end of 2025. The City is utilizing ARPA grant dollars to pay for the costs associated with 6 police officers through 2026. The forecast assumes the general fund will absorb those associated costs in the years following the expiration of each individual grant awards.

Each additional one percent increase is expected to cost the City an average of approximately \$176,000 for bargaining and non-bargaining unit employees, in total, per year over the forecast period as opposed to having no wage increases.

#### **B. Fringe Benefits**

Fringe benefits include employer contributions to the State pension systems, workers' compensation, unemployment, Medicare, health insurance, life insurance and tuition reimbursement. A uniform allowance is also included for police and fire department employees. Fire department employees also qualify for a linen allowance.

All employees and/or elected officials, except police and fire, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 14 percent (the maximum) of their annual salary. The OPERS Board of Trustees took action to authorize the OPERS staff to seek the system's first statutory maximum employer contribution rate increase for state and local members to 18 percent. This change, should it occur, is expected to cost the City an average of approximately \$41,000 per year over the forecast period.

Police and fire employees participate in the Ohio Police and Fire Retirement System (OP&F). OP&F provides basic retirement, disability, 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. Employees are required to contribute 12.25 percent (the maximum) of their annual salary and the City is required to contribute 19.5 percent for police and 24 percent for fire (the maximum) of their annual salary. Pension related expenditures are expected to increase over the forecast period due to expected increases in overall wages earned. Recently, House Bill 296 was introduced as legislation that would increase the percentage of Ohio Police & Fire Pension Fund employer contributions for law enforcement officers from 19.5 percent to 24 percent. This change, should it occur, is expected to cost the City an average of approximately \$67,000 per year over the forecast period.

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Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. Similar to the pension-related benefits, workers' compensation is expected to increase as overall wages increase. With pensions, workers' compensation, and Medicare all factored together, each additional one percent increase to wages is expected to cost the City an average of approximately \$41,000 for bargaining and non-bargaining unit employees, in total, per year over the forecast period.

A third-party administrator reviews all medical, dental, and vision claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of \$125,000 per employee and \$8,863,782 in aggregate. The benefit is paid by the hospitalization fund and is based on historical cost information and third-party administrator estimates. The fund that pays the salary for the employee transfers an amount per employee, per month to the hospitalization fund. The City's health insurance costs are forecasted to rise one percent annually for each year of the forecast period based on historical trends.

#### C. Contractual Services

Contractual services include utility charges (street lighting, phone service, internet, electricity, natural gas, water and sewer), maintenance agreements, liability insurance, professional services, legal services, computer consulting, accounting and auditing services and jury and witness fees. The City has worked to constrain spending in as many areas as possible over the last several years and plans to continue to do so in the future. However, some increases in contractual services are forecasted as the price of some services will rise over time, based on historical data and utility rate contracts along with professional service agreements forecasted to increase in some departments.

#### D. Materials and Supplies

Materials and supplies expenditures include office supplies, operating supplies, fuel, emergency medical service supplies, information technology supplies, and repair and maintenance costs. Materials and supplies are expected to fall in line with historical averages over the forecast period with the City not anticipating any significant drop or conversely, increases in spending for materials and supplies.

#### E. Debt Service

The City has no scheduled debt service payments to be made from the general fund directly.

#### F. Capital Outlay

The City forecasted known capital outlay projects to include a fire pumper, various large equipment purchases to be utilized by the cemetery and parks departments and improvements scheduled to City Hall to be paid from the service/safety director department. All other capital outlay expenses are anticipated to remain relatively consistent with prior year payments.

#### G. Other

Other expenditures include damages/judgements, tax settlement fees, advertising, association dues, election costs, county health expense costs and leases. The City does not anticipate any significant variances in other expenses over the life of the forecast. The Service/Safety Director department has the most significant portion of other expenses in the form of association dues, election expense, county health expense and tax settlement fees. These items are anticipated to remain consistent for the forecast period. Lease payments are forecasted in the fire, cemetery and parks and recreation departments over the forecast period with building inspection and information technologies leases expiring in 2024 and 2025, respectively.

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**Note 6 – Transfers and Advances**

***Transfers***

In prior years, the City transferred from the compensated absences reserve, the payroll reserve and the remaining balances of unused funds to the general fund. The City has also transferred from the unclaimed monies fund. Pursuant to Ohio Revised Code 9.39, if not claimed by the lawful owner within a period of five years, the money shall revert to the general fund. The City is forecasting transferring from the unclaimed monies fund during the forecast period.

The City expects to transfer the following amounts from the general fund during the forecast period:

Transfers To	Transfers From General Fund				
	2023	2024	2025	2026	2027
Street	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Compensated Absences	81,000	81,000	81,000	81,000	81,000
Payroll Reserve	123,000	123,000	123,000	123,000	123,000
Bond Retirement	950,000	967,000	1,042,000	1,023,000	439,000
Special Assessment	82,000	29,000	23,000	28,000	26,000
<b>Total</b>	<b>\$1,311,000</b>	<b>\$1,275,000</b>	<b>\$1,344,000</b>	<b>\$1,330,000</b>	<b>\$744,000</b>

The transfers to the street special revenue fund are projected to help subsidize road projects City-wide. The transfers to the compensated absences and payroll reserve funds are specific to helping maintain a reserve balance for future potential liabilities. The transfers to the bond retirement and special assessment debt service funds are to help cover various debt obligations the City has incurred.

***Advances***

The City expects to make advances of approximately \$150,000 per year to help cover costs until charges or grant reimbursements can be received. All advances are anticipated to be repaid within one year.

**Note 7 – Other Funds**

The City has numerous other funds that account for resources that are restricted for specific purposes. Most of these funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. Certain funds are anticipated to have expenditures exceeding revenues and carryover fund balance during the forecasted period and require an annual transfer. A transfer from general fund to these funds is forecasted, see Note 6.

**Fire Levy Fund**

The fire levy fund accounts for the salaries and benefits of 9 firemen. This levy is set to expire at the end of 2025. While the City anticipates renewing this levy, voter approval is uncertain. Should this levy not be renewed, this would result in additional expenses to the general fund of approximately \$522,000 in salaries and \$146,000 in associated benefits for each additional year of the forecast.

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**Self-Insurance Fund**

The City manages the hospital/medical, and prescription drug benefits for its employees on a self-insured basis through the hospitalization self-insurance internal service fund. Rates for 2023 were \$824/single and \$2,199/family per month.

Employees pay \$80 per month for single coverage, \$160 for family + 1 coverage (example: employee and spouse only), and \$205 for family coverage in excess of two individuals. The Plan Administrator for the City determines these rates. Medical Mutual of Ohio, the third-party administrator, processes and pays the medical and prescription drug claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$125,000 per employee and an aggregate of \$8,863,782 per year. The \$125,000 specific threshold was exceeded by \$581,456. The City received an invoice credit for the excess. The aggregate was not exceeded.

Other Employee Benefits - Vision and dental benefits for the City's employees are provided through The Guardian Life Insurance Company of America. Vision benefits are administered by Vision Service Plan (VSP). The rate per month is \$14 for both single and family coverage for vision benefits only. The employees contribute 100 percent of the cost of dental insurance. Employees contribute \$3.39 for single coverage and \$7.67 for family coverage for vision and \$22.70 for single coverage and \$63.63 for family coverage for dental.

**Note 8 – General Fund Budget Reserve**

Pursuant to Ohio Revised Code Section 5705.13, the City established a budget stabilization by ordinance to stabilize against cyclical changes in revenues. Additions are limited by State statute to five percent of the revenue credited in the preceding year to the general fund. These dollars will only be spent if there are significant reductions in revenue and can only be utilized through passage of additional legislation approving of the necessity of using the reserve. The fund balance in the reserve and unavailable for appropriations is estimated to be \$1,770,000, \$1,879,000, \$1,833,000, \$1,862,000 and \$1,904,000 for the years ending 2023, 2024, 2025, 2026 and 2027, respectively.

**Note 9 – Contingencies**

**A. Litigation**

The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**B. Grants**

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.

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**Note 10 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency ended in April 2023. In prior years, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.



# OHIO AUDITOR OF STATE KEITH FABER



## CITY OF LORAIN FINANCIAL FORECAST

LORAIN COUNTY

### AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/2/2024

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)