

City of Lorain, Ohio



Comprehensive Annual Financial Report

For the Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

Members of City Council
City of Lorain
Lorain, Ohio

We have reviewed the *Independent Auditor's Report* of the City of Lorain, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2004 through December 31, 2004. 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 15, 2005

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City of Lorain, Ohio



Comprehensive Annual Financial Report

For the Year Ended December 31, 2004

Ronald L. Mantini
Lorain City Auditor

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Comprehensive Annual Financial Report
For the Year Ended December 31, 2004
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The City of Lorain, Ohio

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June 24, 2005

Citizens of Lorain
Lorain, Ohio

It is with great satisfaction, I submit this Comprehensive Annual Financial Report (CAFR) for the City of Lorain, Ohio, for the year ended December 31, 2004. This CAFR was prepared by the Lorain City Auditor's Office. Management is accountable for the accuracy of the data and the completeness and fairness of the material presented, including all disclosures. We consider the information contained herein to be precise in all aspects relating to the City's financial activities and statistical data. This report was designed in a manner so that the reader may obtain a thorough and optimal understanding of the City's financial affairs, basic operations and general composition. Copies will be made available to all interested parties. This is the City's second year of reporting under the GASB 34 reporting model.

The Comprehensive Annual Financial Report is presented in three sections:

1. The Introductory Section; which contains a Table of Contents, the Letter of Transmittal, the Certificate of Achievement, a list of the City's principal officials and department heads, a map of the voting wards of the City of Lorain and an Organizational Chart of the City.
2. The Financial Section; which begins with the Independent Auditors' Report and Management's Discussion and Analysis, the Basic Financial Statements and Notes which provide an overview of the City's financial position and operating results, and also includes the Combining Statements for Nonmajor Funds and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section; which presents various tables reflecting social and economic information, financial trends and the fiscal capacity of the City of Lorain.

Reporting Entity

For financial purposes, the City includes all funds that comprise the primary government and all agencies, boards and commissions for which the City is financially accountable. The City is financially accountable for an organization if the organization is fiscally dependent on the City or if the City appoints a majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the City. The ability to impose its will on the organization exists if the City can remove members of the governing board at will, modify or approve the organization's budget, modify or approve rates or fees, modify or overrule decisions of the organization's governing body, or appoint, hire, reassign or dismiss persons responsible for management of the organization's day-to-day activities. A financial benefit exists if the City is legally entitled to or can otherwise access the organization's assets. A financial burden exists if the City is legally obligated or has otherwise assumed the obligation to

finance the deficits of, or provide financial support to, the organization, or if the City is obligated in some manner for the debt of the organization. No component units have been included in the City's reporting entity.

The City is associated with the Northeast Ohio Areawide Coordinating Agency, a jointly governed organization and the Lorain Port Authority, a related organization.

THE CITY OF LORAIN

Incorporated in 1874, the City of Lorain 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. Within a 500-mile radius of Lorain, reside 50 percent of the population of the United States and Canada, and 24 of the nation's 50 industrial markets.

Lorain's population in the year 2004 of 68,652 placed Lorain as the largest City in Lorain County and the tenth largest in the State.

The City's area is 23.8 square miles, or 15,226 acres, allocated by: residential land use of 39.5 percent; commercial/industrial land use of 15 percent; governmental land use of 6.5 percent; agricultural land use of 7 percent; undeveloped land use of 21 percent; and other tax exempt land use of 11 percent. Residential structures total 22,625, the number of dwelling units total 29,765, apartment buildings total 97, and mobile home parks total 8. For 2004, new construction of agriculture/residential property and commercial/industrial property totaled \$8,917,500 and \$1,040,710 respectively.

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 Lorain Palace Civic Center, a 1,300 seat renovated facility on the National Register of Historic Places, operates with a variety of musical and cultural events year round and is located in downtown Lorain.

CITY GOVERNMENT

Lorain 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 with elected officials as follows:

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.

MAJOR INITIATIVES AND ACHIEVEMENTS

Auditor's Office

- The major project in the Auditor's Office in 2004 was the implementation of the GASB 34 reporting model for the year ending December 31, 2003. This new GASB 34 model represented a significant change in how the City's financial report is presented. It was a very time consuming project that took the dedicated effort of the entire accounting staff. The entire department is to be commended for completing the project in a timely manner.
- The MIS department completed a long overdue project to replace the outdated and expensive mainframe computer printer with a new laser printer. By moving to the laser printer, the City will be able to realize significant cost savings in replacing pre-printed forms with laser printed forms. In addition, new postage software will allow the City to realize savings in mailing costs. This project is estimated to save the City in excess of \$6,000 per year.
- The City of Lorain continues to update its web site. In 2004, the Fire Department and the Community Development sections of the web site began to take shape. They are approximately 50% completed and should be completed by the third quarter of 2005. The Utilities department section will begin development in 2005 and should be completed by the end of the year.

Lorain Health Department

- The City's Health Department held a **Mass Vaccination Clinic**: The three health districts within Lorain County along with the Office of Emergency Management and Homeland Security coordinated and implemented countywide Influenza vaccination clinics at various locations. Utilizing an "Incident Command" structure, the clinics were set up to vaccinate as many eligible residents as

possible with a limited supply of vaccine. A county Emergency Operation Center (EOC) was set up and staffed with representatives from each department and continuous communication was maintained with each clinic site. This effort enables public health in Lorain County to evaluate its ability to conduct a mass vaccination clinic countywide in the event of a disaster or bio-terrorism act.

- **Staffing:** In an effort to consolidate public health preparedness activities/planning, the Lorain District Municipal Board of Health appointed Kathryn M. Lanza, MPH to the newly established position of “Public Health Preparedness Coordinator”. Kathryn is responsible for coordinating; developing and implementing a public health disaster plan within the health district under the Public Health Infrastructure Grant issued through the Ohio Department of Health.

- **Information Management System Expanded:** Using Infrastructure grant funding, the department has expanded the use of the Health District Information System (HDIS). HDIS is an integrated software program installed on the department’s computer network which enables comprehensive tracking of all programs and each staff member’s daily activity. Birth and Death records are being stored in the HDIS which provides for secure record storage and retrieval.

According to the **Lorain Municipal Court’s** Annual Report, there were 17,743 cases filed during 2004. This included 4,971 Criminal Cases and 9,351 Traffic Cases. In addition to the Criminal and Traffic cases, 3,165 new civil cases were filed. In the Small Claims Division a total of 256 cases were filed.

Lorain Police Department

- The department once again sponsored a “Do The Right Thing Back to School Festival.” Bags of school supplies were distributed to 2,500 children at the festival. This program was designed to positively impact the youth in the area by publicly recognizing children who distinguish themselves through their behavior and by establishing them as role models for their peers. Since the program’s inception, 257 students have been nominated and 80 have been selected as winners.
- Each year the department operates Lorain Safety Town. In 2004, 360 children participated and graduated from the program.
- The first phase of the Police station renovation continued to progress in 2004 with completion scheduled for early 2005.

The **Lorain Parks and Recreation Department** provides the citizens with a wide variety of activities in 57 parks throughout the City, covering 868 acres. The Recreation department sponsored several successful programs for Lorain’s school-age children. The Santaland at Lakeview Park attracted over 1,800 visitors last year. Easterland, which was held at both Oakwood and Lakeview Parks, had a total of 1,650 children meet with the Easter Bunny. The Halloween Parade and costume-judging contests had nearly 300 participants.

The **Lorain Utilities Department** again had a very busy year with many major infrastructure improvements completed and many more started.

- The **Billing division** upgraded its software, which eliminated some complex and unused programming, which allows for faster transactions and decreased customer wait times.
- The **Purification** department had many minor improvements during 2004, however one project dominated the schedule. The installation of a new 1-megawatt backup generator will allow the plant to operate in the event of a power outage and should prevent the situation that occurred in

August 2003. This generator is capable of running all normal operating equipment and can deliver power within one minute of a power failure.

- One main project dominated the **Distribution** department in 2004. It was the status of many of the fire hydrants in the City of Lorain. Many of the fire hydrants had to be checked and repaired throughout the City.
- The **Black River Wastewater Treatment Plant** added a new larger and faster sludge press, which allows for more productivity and better functioning of the plant.
- The **Phillip Q. Maiorana Wastewater Treatment Plant** installed a new influent flow screen. This screen will remove debris larger than the eraser on the head of a pencil from entering the plant, which will be more cost effective to the operation of the plant.

Many of the current developments in the City were overseen by the **Engineering Department**. The Riverfront Urban Renewal Project, Cooper Foster Park Road widening, several new housing developments, the new Lorain City Jail project and the local roadway rehabilitation project were just some of the many projects they were involved in during 2004.

ECONOMIC CONDITIONS AND OUTLOOK

Indicative of continuing local economic breadth, approximately two-thirds of manufacturing firms in the County are engaged in the production of a variety of materials, including primary and fabricated metals, stone, clay and glass, rubber and plastic products, electrical and non-electrical machinery, and transportation equipment. These are in addition to the major steel and auto manufacturing operations in the City and discussed below.

Recent developments in local industry and the community, as described below, present both opportunities and challenges to the City in its efforts to strengthen and diversify its economy.

Primary Employers. *Community Health Partners (CHP)* is the City's largest employer with 1,800 employees. CHP is a 328-bed, not-for-profit, full service integrated health care delivery system comprised of two main campuses in the City. CHP is the result of the consolidation of the former Lorain Community Hospital and St. Joseph Hospital and Health Center, together with a merger with Catholic Healthcare Partners, and is part of the largest health care system in Ohio and the ninth largest in the United States. CHP has a medical staff of over 300 doctors supporting a full range of inpatient and outpatient services in the County area. CHP is also affiliated with Cleveland, Ohio-based University Hospitals Health Systems.

Ford Motor Company ("Ford"), the City's second largest employer with over 1,600 employees, announced in January 2002 plans to restructure and eliminate 35,000 jobs worldwide in an effort to enhance profitability. Ford announced in 2004 that it would close its Lorain Assembly Plant by the end of 2005 and send all Econoline van production to the Ohio Assembly Plant in nearby Avon Lake. No employees will remain at the Lorain Assembly Plant. The closing of the Plant will materially adversely affect the City. The City is expecting to lose \$2.2 million a year in municipal income tax revenue, \$58,300 in personal property tax revenue, \$55,816 in real estate taxes, \$258,000 in water revenue and \$290,500 in sewer revenue depending on what is done with the existing facility.

The *Lorain City School District (the "School District")* is the City's third largest employer with over 1,200 employees. In November 2001, the electors of the School District, located wholly within the City, approved a \$41 million bond issue to pay the local share of an estimated \$216 million classroom facilities

improvement project. The City estimates that this project will result in \$3.5 million in income taxes for the City over the next 10 years from construction jobs and building permits. In 2004, construction started on four more of the schools and this school building project resulted in \$132,585 in additional income taxes, \$149,050 in additional building permit fees and \$18,599 in additional plan review fees. Plans call for seven new schools to begin construction in 2005

Republic Engineered Products (“REP”) is North America’s leading supplier of high-quality steel bars and is the City’s fourth largest employer with over 1,100 employees. REP is headquartered in Fairlawn, Ohio and its products are used in applications in the automotive, agricultural, aerospace and energy industries. REP was formed in August 2002, after two investor groups, KPS Special Situations Fund and Hunt International Group, paid about \$463 million for about 60 percent of the assets of the then-bankrupt Republic Technologies International (“RTP”). At that time, about 350 employees who worked in the City lost their jobs.

In October 2003, REP filed for Chapter 11 Bankruptcy, citing the August 14, 2003 black-out of electrical power that affected Ohio and the Northeast United States and Canada and the resulting damage to a blast furnace as a cause. The blast furnace was severely damaged when the outage cut power to water pumps used to cool molten steel, which overflowed and exploded when it came in contact with water, thereby causing an estimated \$10 million in damages. 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 income tax revenues from the plant have remained fairly steady.

Lorain Tubular, formerly a wholly-owned subsidiary of United States Steel Corporation, merged into United States Steel Corporation as of January 1, 2002. As a result, Lorain Tubular is now a division of United States Steel Corporation known as United States Steel Tubular Products Division, Lorain Pipes Mill. Since 1989, Lorain Tubular had been part of the bar and tube joint venture known as USS/KOBE. Lorain Tubular currently employs over 400 in the City, and generates approximately \$250 million in annual sales.

Emerson Network Power, Energy Systems, North America, Inc. – Emerson Electric purchased Marconi Communications in August 2004. Emerson Electric is a major global communications company that delivers communications services for networks, wireless and enterprise customers. During 2003, Marconi closed its North Ridgeville, Ohio, office and relocated approximately 160 jobs to the City. With that relocation, Marconi had 400 employees in the City. On August 12, 2003, Marconi announced that it was ceasing the operations of its manufacturing division located in the City and that approximately 230 jobs would be eliminated over 18 months. The closing cost the City an estimated \$150,000 in income tax revenues in 2004. The City lost approximately \$500,000 annually in income tax revenues as a result of Marconi’s 2001 reorganization and worldwide workforce reduction. The City believes that the impact of this closing on its real and personal property tax revenues on an ongoing basis will be minimal. Emerson Network Power now employs 396 workers at its offices in the City.

The City’s **Community Development Department** is charged with promoting, developing and coordinating Lorain’s community and economic development through land use and transportation planning, housing, and commercial rehabilitation, historic preservation, recreation and business assistance programs. It has operated several housing repair programs, as well as business loan and economic development programs as part of City efforts to encourage small businesses to locate in the City and to renovate and construct retail and office space, particularly in the downtown area.

The City has pursued several areas for urban renewal enhancement and redevelopment.

- A development agreement with Spitzer Great Lakes, Ltd, Company provides for an estimated \$100 million, 62-acre development project which includes a 420-unit residential housing development known as “**HarborWalk**,” nautical boutiques, restaurants, a health club, a boardwalk and pier, a commercial fishing village and a 34,000 square foot commercial center. Groundbreaking for this project took place in October 2001. The HarborWalk Project involves an area which includes the former shipyard section of the City’s downtown riverfront. A 19-acre Riverside Marina (\$3.5 million in completed improvements, financed with bonds issued by the Lorain Port Authority) will remain on the site. Financial support for this project currently includes \$1 million of State roadwork development grants (awarded in 2001), \$485,000 in State roadwork loans at a 0 percent interest rate, \$4.85 million in City-backed tax-increment financing bonds for land acquisition and public improvements, and City-granted tax abatements. Groundbreaking for the construction of the California Avenue extension (the first public roadway into the development site) was held on April 9, 2001, and that roadway and related infrastructure is now nearing completion. Spitzer Great Lakes, Ltd, Company began construction of the first phase of residential structures in April 2002. A total of 98 units were constructed by the end of 2003 with an estimated value in excess of \$17,100,000. As of December 31, 2004, 116 units have been sold with two sales pending and four homes being used as models.
- On June 15, 2003, the City issued its second series of urban renewal bonds for HarborWalk in the amount of \$4,470,000 to construct the second phase of public improvements, acquire land for redevelopment and further implement the Revised Riverfront Urban Renewal Plan. A contract was awarded and construction for the second phase of public improvements began in the summer of 2003. This phase is anticipated to be completed by the end of 2006 and will allow for the construction of approximately 51 additional units valued at more than \$11 million in 2004, 60 units with an estimated value of \$13,250,000 in 2005, and an additional 60 units with an estimated value of \$13.2 million in 2006. A 36-unit multifamily building will also be able to be constructed in this second phase of public improvements with an estimated value in excess of \$2.5 million.
- The City, in 2003, completed negotiations and entered into a purchase agreement for the acquisition of additional property for the expansion of the Colorado Industrial Park. City Council has authorized the acquisition of approximately 408 acres from U.S. Steel to be used to expand the Colorado Industrial Park. Only 143 of the 408 acres are developable. The remainder is occupied by a landfill and wetlands. In addition, the City received approval for a \$4.5 million HUD Section 108 loan guarantee and a \$500,000 HUD Brownfield Economic Development Initiatives Grant for the further development of the Colorado Industrial Park. The City is applying for an additional \$2.2 million from the HUD Section 108 loan for expansion of the Colorado Industrial Park. The City is applying for a United States Department of Commerce Economic Development Administration grant of \$2.0 million to extend the roadway and provide additional access to the Colorado Industrial Park. The City also has applications pending with the Ohio Department of Development for an Urban Redevelopment Loan of \$2.9 million. At this time HUD has approved the City’s request to incur costs related to the development of the Colorado Industrial Park expansion.

A voter-approved one-mill property tax levy for the **Lorain Port Authority** (renewed in 2004) generates approximately \$650,000 a year, enabling the Port Authority to pursue a variety of economic development projects.

In the area of housing:

- The City Planning Commission has approved the 529-acre Martin's Run housing development project and rezoning request for a Planned Unit Development. The development calls for over 2,000 housing units over a 15-year period. The rezoning plans have also been approved by City Council. Construction has begun, and 118 homes have been completed as of December 31, 2004.
- Camden Ridge is a 57-acre housing development on the City's west side. Construction in this development began in early-2001. Plans call for 155 single family homes in the \$140,000 to \$250,000 price range. As of December 31, 2004, 127 homes have been constructed and are occupied with 22 having been completed in 2004. Phase III, the last phase for this development has begun.
- Mallard Creek is a housing development in the City on the west side of Oak Point Road. Plans for the development call for 50 single-family homes in the \$175,000 to \$225,000 price range. Construction has begun on three units and there are plans to complete 6 to 8 additional units by the end of the year.
- Catholic Charities Facilities Corporation completed the development of the former Nativity Elementary School into a housing complex for the elderly. The reconstructed facilities, including a new addition, will consist of 36 apartments, a community room, craft room and new bathroom. One and two bedroom units will be available ranging from 900 to 1,000 square feet. Total project costs are estimated at \$4 million. Construction began in 2003 and was completed in 2004.
- A \$10 million lakefront condominium project is being built on the City's west side and will contain 24 upscale townhouse units and nine 5,000 square foot lake view homes having walk up access to 700 feet of natural beach with prices starting at \$500,000. The project named "La Cote de Lac," will develop one of the few remaining available pieces of property located on Lake Erie in the County. The Army Corps of Engineers and Ohio Environmental Protection Agency have issued permits for this project. Water and sewer lines have been installed. The break wall was installed and roads have been completed. Six units and a clubhouse have been completed as of December 31, 2004, and an additional four townhouses are under construction and expected to be completed by spring of 2005.
- During 2001, the City commenced construction of six affordable single-family residences as part of its Affordable In-Fill Housing program. The Program's aim is to enhance City neighborhoods by erecting new houses which are consistent with surrounding residences. Neglected vacant lots are improved with quality built homes. Such homes are available to low and moderate income families who meet certain HUD guidelines. Since 2001 the City has completed construction of 18 homes and has sold all of them. City Council has authorized the construction of an additional six in-fill houses on Reid Avenue, with construction expected to begin in March 2005 and be completed by December 2005.

FINANCIAL INFORMATION – ACCOUNTING CONTROLS

Internal Controls. Development of the City's accounting system includes consideration of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurances regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City initiated a comprehensive program to reduce vulnerability to fraud, waste or abuse through an improved internal control structure. Purchasing, accounts payable, payroll, and property control procedures are in place and updated periodically. An existing Ohio Revised Code statute requires all purchases exceeding \$25,000 be reviewed and approved by Council.

Budgetary Controls. Budgetary control is maintained by an encumbrance of purchase amounts prior to the release of purchase orders to vendors. Purchase orders are not issued unless a sufficient unencumbered appropriation is available.

City departments have on-line purchase order requisition processing via the mainframe computer. The City Auditor then reviews the requisition for availability of funds. Copies of all approved purchase orders are returned to the department head pending receipt of the goods and services. Once the goods and services and the invoice are received, the department head verifies that all goods or services received are in acceptable condition. Invoices for the goods received are then approved and forwarded to the Auditor's Office for payment.

Each department has on-line computer access to reports showing the status of their budgeted accounts. The reports detail all transactions and summarize available balances.

The City adopts a temporary appropriation ordinance on or before January 1 of each year for the period January 1 through March 31. The Mayor submits proposed appropriations to Council's Finance Committee for its recommendations. The committee makes recommendations and forwards the appropriations to the City Council for final passage. All members of Council review the appropriation proposal before its adoption. All expenditures require appropriation authority. For all operating funds, appropriations are passed and are maintained at the line item level within each department and fund. If necessary, appropriations may be amended throughout the year.

Financial Reporting. The City prepared financial statements following GASB Statement 34 – "Basic Financial Statements-and-Management's Discussion and Analysis – for State and Local Governments." GASB 34 provides basic financial statements for reporting on the City's financial activities as follows:

Government-wide financial statements. These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Fund financial statements. These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statements of budgetary comparisons. These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As a part of this reporting model, management is responsible for preparing a Management Discussion and Analysis of the City. This discussion follows the Independent Auditors' Report, providing an assessment of the City finances for 2004.

CAPITAL ASSETS

Consumable assets are inventoried at the end of each year, while capital assets are continually updated throughout the year. The City has prepared a Capital Asset Manual to initiate better accountability for capital assets. This manual provides capital asset policies and procedures for better control and accountability, for the preparation of year-end financial statements in accordance with generally accepted accounting principles, and for adequate insurance coverage. The appropriate accounting treatment for the acquisition of a capital asset is governed by the ultimate use of the asset and by the fund type from which the capital asset was purchased.

The Auditor's Office completed a capital asset inventory for the year ended December 31, 2004. Costs of capital assets, depreciation, maintenance, updates, dispositions, and transfer procedures for capital assets are outlined in detail in the Capital Asset Manual.

BUSINESS-TYPE FUNDS

Business-type funds are used to account for services provided to the public where all or most of the operating expenses involved are recovered in the form of charges to the user of such services. The City's enterprise operations are comprised of water works and water pollution control funds.

CASH MANAGEMENT

The City Treasurer invests temporarily idle cash in the State Treasury Asset Reserve of Ohio (STAROhio), demand deposits, certificates of deposit, treasury bills, and repurchase agreements. STAROhio is a statewide investment pool managed by the Treasurer of the State of Ohio which seeks a high level of current income, the preservation of capital, and maintenance of liquidity.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public funds deposited.

RISK MANAGEMENT

The City has obtained insurance policies for its employees including public official's liability, building liability, and automobile liability, while certain elected officials in policy-making roles are covered by separate, higher limit bond coverage.

The City manages the hospital/medical benefits for its employees on a self-insured basis. A third party administrator processes the claims. In 1995, the City converted to a managed health care network benefit plan with its third party administrator. The City made this conversion in order to reduce risk exposure to increasing health care costs. Based on projections provided by the third party administrator, hospital and medical costs are not expected to increase significantly in the near term under the managed health care network.

INDEPENDENT AUDIT

The City of Lorain selected the firm of Ciuni & Panichi, Inc. to render an opinion on the City's financial statements as of December 31, 2004. The 2004 Independent Auditors' Report, issued by Ciuni &

Panichi, Inc. gave a clean, unqualified opinion. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996. The Independent Auditors' Report on the basic financial statements is included in the financial section of this report. Copies of the Single Audit Reports may be obtained from the City Auditor's Office.

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, 2003.

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 nine 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, 2003

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.



Nancy L. Zjelle

President

Jeffrey R. Emer

Executive Director

**CITY OF LORAIN, OHIO
ELECTED OFFICIALS**

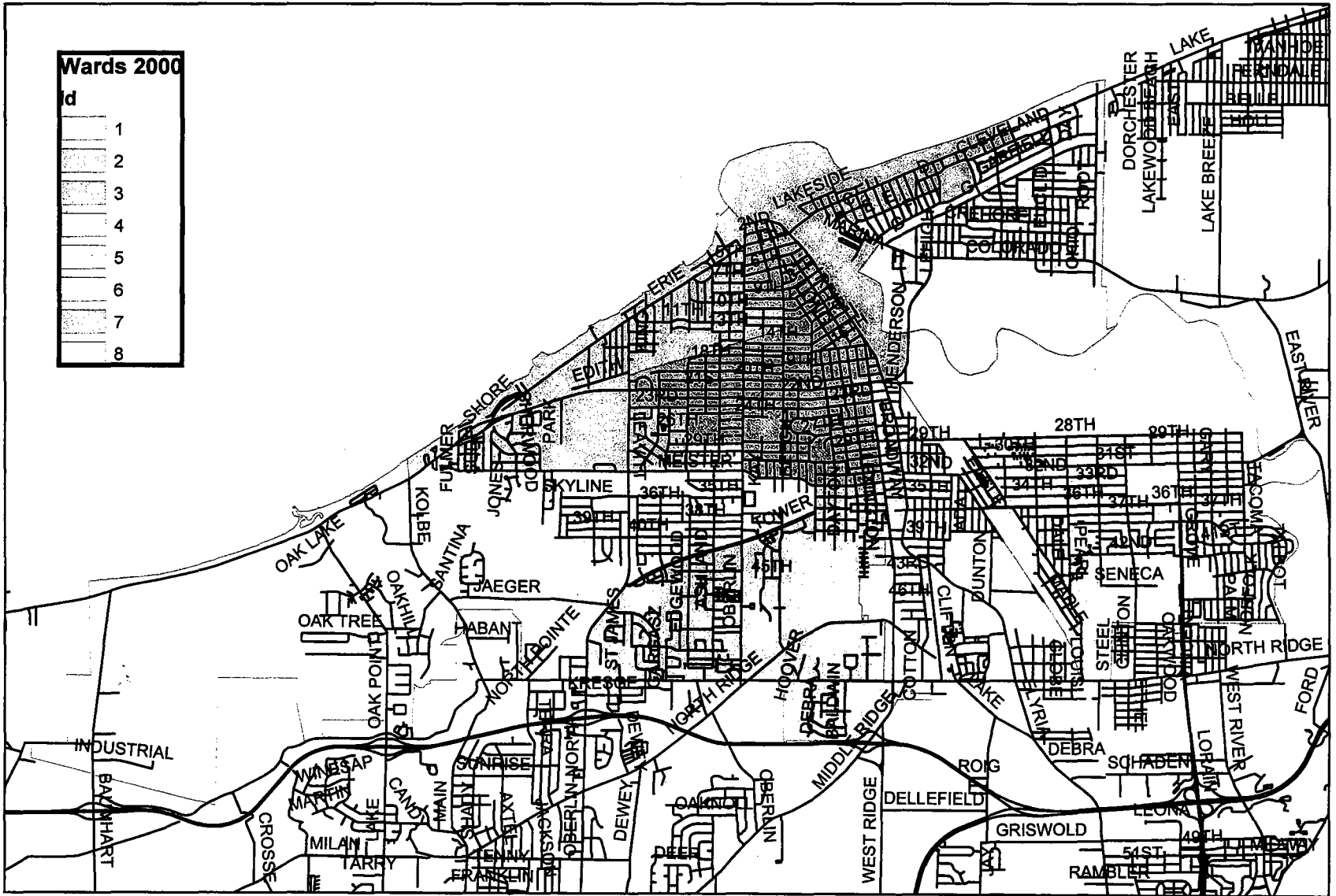
<u>TITLE</u>	<u>NAME</u>	<u>YEARS OF SERVICE IN OFFICE</u>	<u>YEARS OF SERVICE WITH THE CITY</u>
Mayor	Craig Foltin	5	11
City Auditor	Ronald L. Mantini	5	5
City Treasurer	Lori Maiorana	16	24
Director of Law	Mark Provenza	5	16
Clerk of Courts	Stephen Bansek	24	28
Judge	Mark Mihok	3	16
Judge	Thomas Elwell	1	1
<i>Members of Council:</i>			
Council President	Kenneth Shawver	3	15
Council at Large	Anne Molnar	7	7
Council at Large	Fred Lozano	3	13
Council at Large	Kathy Tavenner	5	11
1 ST Ward	David Wargo	5	8
2 nd Ward	Phil Betleski	1	1
3 rd Ward	Anthony Krasienko	9	9
4 th Ward	Thomas Urbanek	19	19
5 th Ward	Eddie Edwards	7	7
6 th Ward	Bob Kerecz	1	1
7 th Ward	Daniel Given	11	11
8 th Ward	Lori Kokoski	5	5

APPOINTED OFFICIALS

<u>TITLE</u>	<u>NAME</u>	<u>YEARS OF SERVICE IN OFFICE</u>	<u>YEARS OF SERVICE WITH THE CITY</u>
Director of Public Safety/Service	Craig Miller	5	11
Police Chief	Celestino Rivera	10	34
Fire Chief	Phil Dore	6	30
Director of Utilities	Corey Timko	1	4
Director of Community Development	Sanford Prudoff	32	32
Acting Director of Park & Recreation	Bob Renney	2	20
Street Commissioner	Chuck Camera	14	33
Building Inspector	William Desvari	2	2
Administrative Director (Engineering)	Patrick McGannon	6	34
Chief Deputy Auditor	Anita Harper	5	5
MIS Director	David Comer	10	10
Clerk of Council	Nancy Greer	10	13

Lorain Council Ward Map

Wards 2000	
Ward	Color/Pattern
1	(White)
2	(Light Gray)
3	(Dark Gray)
4	(Horizontal Lines)
5	(Vertical Lines)
6	(Diagonal Lines - Top Left to Bottom Right)
7	(Diagonal Lines - Top Right to Bottom Left)
8	(Cross-hatch)



City of Lorain - Organizational Chart

CITIZENS

Legislative

Executive

Executive

Judicial

COUNCIL

AUDITOR

TREASURER

MAYOR

LAW DIRECTOR

MUNICIPAL COURTS

Financial Reporting
Accounting
Data Processing

Income Tax
Investments and
Banking

Legal Counsel
Prosecution

Judges

Clerk Of Courts

**Boards and
Commissions**

**Director of Public
Safety and Service**

Board of Health
Civil Service Commission
Port Authority Board
N.O.A.C.A.

Fire
Police
Electrical
Building Inspection
Animal Warden

Community Development
Parks and Recreation
Street Department
Cemetery
Engineering
City Garage
Employee Benefits
Building Maintenance
Department of Utilities



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, Ohio as of and for the year ended December 31, 2004, 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, Ohio's management. Our responsibility is to express an opinion 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, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General and Community Development Funds thereof 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, 2004, the City implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liability by Cost-Sharing Employers."

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2005 on our consideration of the City of Lorain, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members of the City Council
Lorain, Ohio

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lorain, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied 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 section and statistical tables 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 & Panichi, Inc.

Cleveland, Ohio
June 24, 2005

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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, 2004. 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 2004 are:

- The City's deficit cash balance in the general fund as of December 31, 2004 was \$2,340,819. This is an increase of \$668,816 over 2003. Of this amount, \$483,877 was due to making a fifth payment to the Police and Fire Pension (in the year 2000, the City only made three payments – this fifth payment brings us back in line with our pension payments). This remainder of the increase in the deficit occurred in spite of wage freezes by City employees and cost containment measures instituted by the City.
- Total assets decreased by \$7,167,821 from 2003 to 2004, or 2.27 percent.
- Total liabilities increased by \$499,510 from 2003 to 2004, or .52 percent.
- Total net assets decreased \$7,667,331 from 2003 to 2004, or 3.49 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, 2004
Unaudited

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 2004. 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 20. 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, 2004
Unaudited

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 26 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 26 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 30 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 31-66 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 67-119 of this report.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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 2004 as compared to 2003.

TABLE 1
NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Assets						
Current and Other Assets	\$48,443,434	\$50,368,407	\$9,888,614	\$10,367,475	\$58,332,048	\$60,735,882
Capital Assets,						
Non-Depreciable	25,361,645	15,717,854	12,098,573	12,579,193	37,460,218	28,297,047
Capital Assets,						
Depreciable, Net	147,449,570	164,720,894	65,356,112	62,011,946	212,805,682	226,732,840
<i>Total Assets</i>	<u>221,254,649</u>	<u>230,807,155</u>	<u>87,343,299</u>	<u>84,958,614</u>	<u>308,597,948</u>	<u>315,765,769</u>
Liabilities						
Current and Other Liabilities	7,821,718	9,420,347	1,737,458	1,847,905	9,559,176	11,268,252
Long-Term Liabilities:						
Due Within One Year	7,456,823	6,850,262	2,881,117	2,841,538	10,337,940	9,691,800
Due in More Than One Year	36,884,256	36,872,674	39,521,629	37,970,765	76,405,885	74,843,439
<i>Total Liabilities</i>	<u>52,162,797</u>	<u>53,143,283</u>	<u>44,140,204</u>	<u>42,660,208</u>	<u>96,303,001</u>	<u>95,803,491</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	138,745,022	146,982,168	36,496,435	35,322,403	175,241,457	182,304,571
Restricted:						
Capital Projects	4,745,648	10,820,008	0	0	4,745,648	10,820,008
Debt Service	713,569	603,071	2,485,022	2,454,458	3,198,591	3,057,529
Replacement and Improvement	0	0	300,000	300,000	300,000	300,000
Utility Reserve	0	0	1,468,618	1,364,750	1,468,618	1,364,750
Other Purposes	30,082,873	24,485,901	0	0	30,082,873	24,485,901
Unrestricted (Deficit)	(5,195,260)	(5,227,276)	2,453,020	2,856,795	(2,742,240)	(2,370,481)
<i>Total Net Assets</i>	<u>\$169,091,852</u>	<u>\$177,663,872</u>	<u>\$43,203,095</u>	<u>\$42,298,406</u>	<u>\$212,294,947</u>	<u>\$219,962,278</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 \$212,294,947 with \$169,091,852 in governmental activities and \$43,203,095 in business-type activities as of December 31, 2004. The largest portion of the City's net assets (82.5 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 (18.7 percent) represents resources that are subject to restriction on how they can be used. The unrestricted deficit balance is due largely to expenses exceeding revenue in the General Fund. The administration is actively seeking solutions to this problem.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The *Statement of Activities* shows the changes in net assets for the year ended December 31, 2004. Table 2 provides the detail data. The change in net assets from 2003 to 2004 shows a decrease of \$7,667,331 with (\$8,572,020) in governmental net assets and \$904,689 in business-type activities.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$4,662,759	\$3,720,634	\$16,593,825	\$15,919,436	\$21,256,584	\$19,640,070
Operating Grants and Contributions	14,433,494	11,509,194	0	0	14,433,494	11,509,194
Capital Grants and Contributions	1,717,034	4,535,632	0	0	1,717,034	4,535,632
<i>Total Program Revenues</i>	<u>20,813,287</u>	<u>19,765,460</u>	<u>16,593,825</u>	<u>15,919,436</u>	<u>37,407,112</u>	<u>35,684,896</u>
General Revenues:						
Municipal Income Taxes	17,652,400	16,558,559	0	0	17,652,400	16,558,559
Property Taxes	4,307,918	4,123,897	0	0	4,307,918	4,123,897
Investment Income	217,102	162,478	9,621	88,836	226,723	251,314
Intergovernmental Revenue not Restricted to Specific Programs	487,998	434,976	0	0	487,998	434,976
Miscellaneous	347,717	814,192	61,739	58,743	409,456	872,935
<i>Total General Revenues</i>	<u>23,013,135</u>	<u>22,094,102</u>	<u>71,360</u>	<u>147,579</u>	<u>23,084,495</u>	<u>22,241,681</u>
Total Revenues	<u>43,826,422</u>	<u>41,859,562</u>	<u>16,665,185</u>	<u>16,067,015</u>	<u>60,491,607</u>	<u>57,926,577</u>
Program Expense:						
General Government	11,596,965	11,519,333	0	0	11,596,965	11,519,333
Security of Persons and Property	17,624,224	18,302,246	0	0	17,624,224	18,302,246
Transportation	15,196,365	13,751,779	0	0	15,196,365	13,751,779
Public Health	1,799,704	1,990,328	0	0	1,799,704	1,990,328
Community Environment	671,404	762,729	0	0	671,404	762,729
Economic Development	2,538,197	2,500,927	0	0	2,538,197	2,500,927
Leisure Time Activities	1,139,638	1,516,060	0	0	1,139,638	1,516,060
Intergovernmental	0	18,420	0	0	0	18,420
Interest and Fiscal Charges	1,831,945	1,817,195	0	0	1,831,945	1,817,195
Water Works	0	0	7,019,598	7,701,592	7,019,598	7,701,592
Water Pollution Control	0	0	8,740,898	9,694,280	8,740,898	9,694,280
Total Expenses	<u>52,398,442</u>	<u>52,179,017</u>	<u>15,760,496</u>	<u>17,395,872</u>	<u>68,158,938</u>	<u>69,574,889</u>
Increase (Decrease) in Net Assets	(8,572,020)	(10,319,455)	904,689	(1,328,857)	(7,667,331)	(11,648,312)
Net Assets, January 1	<u>177,663,872</u>	<u>187,983,327</u>	<u>42,298,406</u>	<u>43,627,263</u>	<u>219,962,278</u>	<u>231,610,590</u>
Net Assets, December 31	<u>\$169,091,852</u>	<u>\$177,663,872</u>	<u>\$43,203,095</u>	<u>\$42,298,406</u>	<u>\$212,294,947</u>	<u>\$219,962,278</u>

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

GOVERNMENTAL ACTIVITIES

There are several revenue sources that fund the City's governmental activities. Total revenues for 2004 were \$43,826,422. Income tax revenues account for one of the largest sources of revenue - \$17,652,400 or 40.3 percent. The income tax rate for the General Fund of the City is 1.5 percent and was last amended in 1984. 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). In May 2004 the electors rejected a 1/8 percent increase in the income tax rate. This brings the income tax rate for the General Fund of the City to 1.75 percent.

Other major sources of revenue in governmental activities are: Operating Grants and Contributions of \$14,433,494 or 32.9 percent (this includes \$6,195,473 in Community Development block grants and HUD money, \$5,278,118 in Local Government Funds and \$2,352,792 in licenses plate and gas taxes), property and other taxes of \$4,307,918 or 9.8 percent and Capital Grants and Contributions of \$1,717,034 or 3.9 percent. The remaining 13.1 percent is made up of charges for services, interest, unrestricted grants 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.

A strategic area on the City's east side has been identified as being a key redevelopment area that will foster the necessary conditions to allow for economic growth. Since the year 2000, the City has adopted the Colorado Avenue Industrial Area Urban Renewal Plan and authorized funding to create the 145 acre Colorado Industrial Park. The City completed negotiations and entered into a purchase agreement for the acquisition of additional property for the Colorado Industrial Park from United States Steel Corporation. City Council has authorized the acquisition of approximately 408 acres from U.S. Steel to be used to expand the Colorado Industrial Park. Only 143 of the 408 acres are developable. The remainder is occupied by a landfill and wetlands. In addition, the City received approval for a \$2.2 million HUD Section 108 loan guarantee, a \$2.37 million State of Ohio Urban Redevelopment Loan, a \$2 million Public Works Grant from the US Department of Commerce – Economic Development Administration and a \$500,000 State of Ohio Roadway Development (629) Account Grant for the further development of the Colorado Industrial Park. This project has the potential of creating over 2,000 jobs. The City has hired an engineer to design the first phase of public infrastructure, 6,000 linear feet of roadway with necessary appurtenances including sanitary sewer, storm water management, street lighting and signage, among other things. Construction is expected to begin in the late spring, early summer of 2005. This project will allow for approximately 75 acres of light industrial and commercial development within the City.

Total governmental program expenses for 2004 were \$52,398,442. Security of persons and property accounted for program expenses of \$17,624,224 which is 33.6 percent of the total governmental activity expenses for the City. Transportation expenses were \$15,196,365 which is 29.0 percent and general government expenses were \$11,596,965 which is 22.1 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.

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.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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

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>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General Government	\$11,596,965	\$11,519,333	\$7,347,071	\$9,228,686
Security of Persons and Property	17,624,224	18,302,246	13,862,360	13,358,865
Transportation	15,196,365	13,751,779	11,126,539	7,609,651
Public Health	1,799,704	1,990,328	532,068	486,865
Community Environment	671,404	762,729	(370,451)	448,130
Economic Development	2,538,197	2,500,927	(3,657,276)	(1,735,555)
Leisure Time Activities	1,139,638	1,516,060	912,899	1,181,300
Intergovernmental	0	18,420	0	18,420
Interest and Fiscal Charges	1,831,945	1,817,195	1,831,945	1,817,195
<i>Total</i>	<u>\$52,398,442</u>	<u>\$52,179,017</u>	<u>\$31,585,155</u>	<u>\$32,413,557</u>

Business-Type Activities

Utility services for water and sewer saw an increase in charges for services in 2004 (5 percent for water and 15 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. Based on current financial requirements, it appears the City will also need to raise sewer rates by 15 percent in 2005 to meet these requirements.

The Utilities Department completed three major sewer projects in 2004 – the Kay Drive retention basin, the Amherst relief sewers and the Pearl-Tacoma Avenues pump station. Another major project completed in 2004 was the installation of one megawatt backup generator for the water purification plant – this will allow the plant to operate in the event of a major power outage as was experienced in August of 2003.

Financial Analysis of the City's Funds

Information about the City's governmental funds begins on page 20. 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, expenses 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.

City of Lorain, Ohio
Management's Discussion and Analysis
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For the year ended December 31, 2004 the City's governmental funds had combined total revenues of \$43,587,302 and expenditures of \$50,406,840. The City's governmental funds had a combined ending fund balances of \$30,765,322. Of this total amount, \$9,500,613 or 30.9 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 (\$591,250), while the total fund balance was (\$510,560). The deficit balances are due to the application of accrued liabilities.

The Community Development Fund accounts for State and Federal grants designated for the acquisition of real property, administrative costs, public facilities and the rehabilitation of real property. For the year ended December 31, 2004 the City's Community Development Fund had total revenues of \$4,287,053 plus other financing sources of \$2,335,000 and expenditures of \$3,342,828. The City's Community Development Fund had an ending fund balance of \$22,088,398.

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, 2004 the City's General Obligation Bond Retirement Fund had total revenues of \$1,174,752 plus other financing sources of \$4,551,871 and expenditures of \$5,878,361. The City's General Obligation Bond Retirement Fund had an ending fund balance of \$213,668.

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, 2004 the City's Capital Improvements Fund had total revenues of \$3,658,779 plus other financing sources of \$738,101 and expenditures of \$7,928,252. The City's Capital Improvements Fund had an ending fund balance of \$3,242,081.

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.

City of Lorain, Ohio
Management's Discussion and Analysis
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General Fund expenditures are shown in Table 4.

Table 4

<u>Service Component</u>	<u>Amount Expended</u>	<u>Percent Expended</u>
General Government	\$7,224,806	28.86 %
Security of Persons and Property	15,949,946	63.71
Public Health	298,436	1.19
Community Development	549,266	2.19
Leisure Time Activities	993,811	3.97
Debt Service	19,657	0.08
<i>Totals</i>	<u>\$25,035,922</u>	<u>100.00 %</u>

There was a difference in revenue of \$189,713 between the final amended budget and the actual collected revenue.

The net increase in expenditures of \$2,297,238 between the final amended budget and the actual includes the following major changes made during the year:

- \$583,177 increase in utility expenses
- \$885,257 increase in Police wages and benefits
- \$904,510 increase in Fire wages and benefits

Revenues and expenditures are constantly being reviewed by the Auditor's office for adherence to the budget approved by City Council. Monthly 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, 2004 were \$250,265,900. Of this total, \$172,811,215 was for governmental activities and \$77,454,685 was for 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.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 5
Capitals Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$8,372,342	\$7,148,077	\$617,876	\$617,876	\$8,990,218	\$7,765,953
Construction in Progress	16,989,303	8,569,777	11,480,697	11,961,317	28,470,000	20,531,094
Buildings and Improvements	8,739,771	8,688,128	27,214,421	22,727,540	35,954,192	31,415,668
Machinery and Equipment	7,395,024	7,629,406	2,406,996	2,342,597	9,802,020	9,972,003
Furniture and Fixtures	54,228	58,692	0	0	54,228	58,692
Infrastructure:						
Streets and Sidewalks	131,260,547	148,344,668	0	0	131,260,547	148,344,668
Water Lines	0	0	12,170,923	12,523,438	12,170,923	12,523,438
Sewer Lines	0	0	23,563,772	24,418,371	23,563,772	24,418,371
<i>Total Capital Assets</i>	<i>\$172,811,215</i>	<i>\$180,438,748</i>	<i>\$77,454,685</i>	<i>\$74,591,139</i>	<i>\$250,265,900</i>	<i>\$255,029,887</i>

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

- \$2,824,512 – Police Expansion
- \$2,060,823 – Cooper Foster Park West Widening
- \$1,516,338 – US Route 6 Rehabilitation and Repaving
- \$1,177,741 – Riverfront Urban Renewal – California Avenue
- \$930,425 – Colorado Industrial Park Land Acquisition
- \$755,549 – Colorado Avenue (Rt. 611) Widening

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

- \$1,466,872 – Kay Drive retention basin
- \$997,166 – Amherst Township relief sewer
- \$863,961 – Tacoma and Pearl pump station
- \$482,151 – Waterline replacement (4W)
- \$454,269 – North Ridge/Cooper Foster Park Road sewer lines

Of these major capital asset additions the Police expansion, Cooper Foster Park West widening, US Route 6 rehabilitation and paving, Riverfront Urban Renewal – California Avenue, Colorado Avenue (Rt. 611) Widening, Kay Drive retention basin, Amherst Township relief sewer, Tacoma and Pearl pump station and North Ridge/Cooper Foster Park Road sewer lines projects 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.

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

City of Lorain, Ohio
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Debt Administration

On December 31, 2004, the City of Lorain had \$80,101,186 in bonds, loans, notes and capital leases outstanding, with \$8,949,107 due within one year. Table 6 summarizes bonds, loans, notes and capital leases outstanding.

Table 6
Outstanding Debt at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General Obligation Bonds	\$24,752,871	\$25,986,116	\$1,550,000	\$1,885,000	\$26,302,871	\$27,871,116
Special Assessment Bonds	860,127	1,012,831	0	0	860,127	1,012,831
Revenue Bonds	0	0	11,016,068	11,880,190	11,016,068	11,880,190
OPWC Loans	1,904,310	1,855,803	0	0	1,904,310	1,855,803
OWDA Loans	0	0	28,524,772	25,654,979	28,524,772	25,654,979
HUD Section 108 Loans	6,785,000	4,955,000	0	0	6,785,000	4,955,000
Notes Payable	4,150,000	3,625,000	0	0	4,150,000	3,625,000
Installment Loans	0	17,787	0	0	0	17,787
Capital Leases	425,643	592,393	132,395	144,780	558,038	737,173
Total	<u>\$38,877,951</u>	<u>\$38,044,930</u>	<u>\$41,223,235</u>	<u>\$39,564,949</u>	<u>\$80,101,186</u>	<u>\$77,609,879</u>

The general obligation bonds include the following:

- \$8,330,000 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.
- \$4,655,000 Riverfront Urban Renewal bond issued in 2000 for Phase I of the HarborWalk project.
- \$4,470,000 Riverfront Urban Renewal bond issued in 2004 for Phase II of the HarborWalk project.
- The remainder of the bonds issued are for various purposes dating back to 1984.

The special assessment bonds consist of two street assessment projects.

The revenue bonds are for water (\$7,024,096) and sewer (\$4,338,936) and both were issued in 1995.

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 proprietary funds and from the general fund.

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:

- \$1,021,747 from 1978 for the South East sewer interceptor
- \$1,857,872 from 1999 for the East Erie waterline replacement
- \$2,340,059 from 2001 for the Colorado Avenue/Root Road waterline replacement
- \$2,144,016 for the West Side waterline replacement

City of Lorain, Ohio
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- \$4,084,286 from 2001 for the Tacoma Avenue relief sewer (SSO)
- \$8,439,342 from 2001 for the Idaho Avenue pump station (SSO)
- \$3,535,458 from 2004 for the Central Lorain waterline replacement
- \$2,071,053 from 2004 for the Kay Drive retention basin

The HUD Section 108 Loans are Community Development loans for Head Start building (\$80,000 and \$880,000), Colorado Industrial Park infrastructure (\$1,875,000), expansion of the City's existing business development revolving loan fund (\$1,750,000) and \$2,200,000 for acquisition of property and professional services for future economic development for the City.

The notes payable are bond anticipation notes for the acquisition of the Lorain Pellet Terminal property and street improvements.

The City's overall legal ten and one-half percent debt limitation (voted and unvoted) on December 31, 2004 was \$102,816,323. The outstanding debt, after issuance of bonds subject to the ten and one-half percent limitation, is \$37,574,183. The amount available in the general obligation debt service fund for future debt service payments is \$213,668 which results in net debt within the ten and one-half percent limitation of \$37,360,515. The difference of \$65,455,808 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 Baa3 from Moody's and was assigned this rating in March 2004.

See Notes 10 and 11 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 is looking to capitalize on its location on Lake Erie, and the Black River, with 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.

On a cash basis, the City's income tax collections account for approximately fifty-eight percent (58 percent) of the General Fund revenues. Because of this, budgets are forecasted relying mainly on employment conditions. Unfortunately, the City has seen a dramatic downturn in employment over the past five years. The following table demonstrates the changes in employment of those major employers as of December 31, 2004. In addition, Marconi Communications announced the elimination of an additional 240 jobs by the end of 2004. Ford Motor Company has announced the closing of its Lorain assembly plant by December 2005, thus eliminating 1,677 jobs. This plant closing will result in a significant loss of income tax revenue.

City of Lorain, Ohio
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Table 7
Top Ten Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Community Health Partners	Health Care	2,178	2,178	2,100	1,803	1,803
Ford Motor Company	Automobile Manufacturing	1,730	1,730	1,727	1,677	1,674
Lorain City School District	Education	1,200	1,200	1,200	1,493	1,222
Republic Engineered Products	Steel Manufacturing	1,585	1,585	1,000	1,073	1,147
City of Lorain	Government	572	550	534	539	530
Marconi Communications (Emerson Network Power)	Telecommunications	1,250	380	585	537	396
Lorain Tubular	Steel Manufacturing	500	500	500	410	428
CAMACO, Inc	Automotive Seating Systems	0	0	0	262	300
The Nord Center	Health Care	0	0	230	230	244

The December 2004 unemployment rate for the City was 9.1 percent while the unemployment rate for Lorain County was 5.4 percent and the State of Ohio was 6.2 percent.

The City ended 2004 with a \$2,340,819 cash deficit in the general fund and the budget for 2005 was passed with the intent of reducing this deficit by \$700,000.

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
 or
 Anita J. Harper, Chief Deputy Auditor
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, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,381,471	\$3,492,510	\$13,873,981
Cash and Cash Equivalents:			
In Segregated Accounts	97,449	0	97,449
With Trustee	0	2,628,020	2,628,020
Accounts Receivable	0	2,891,865	2,891,865
Inventory Held for Resale	622,135	0	622,135
Materials and Supplies Inventory	360,134	620,515	980,649
Internal Balances	110,766	(110,766)	0
Intergovernmental Receivable	10,146,888	56,411	10,203,299
Prepaid Items	94,476	45,074	139,550
Municipal Income Taxes Receivable	2,557,336	0	2,557,336
Property and Other Taxes Receivable	4,472,744	0	4,472,744
Special Assessments Receivable	981,685	0	981,685
Loans Receivable	18,166,645	0	18,166,645
Deferred Charges	451,705	264,985	716,690
Capital Assets, Non-Depreciable	25,361,645	12,098,573	37,460,218
Capital Assets, Depreciable, Net	<u>147,449,570</u>	<u>65,356,112</u>	<u>212,805,682</u>
<i>Total Assets</i>	<u>221,254,649</u>	<u>87,343,299</u>	<u>308,597,948</u>
Liabilities			
Accounts Payable	425,493	233,378	658,871
Contracts Payable	312,715	407,771	720,486
Accrued Wages and Benefits	347,931	136,944	484,875
Matured Compensated Absences Payable	63,501	55,635	119,136
Intergovernmental Payable	1,601,736	421,415	2,023,151
Deferred Revenue	4,351,503	0	4,351,503
Retainage Payable	0	331,344	331,344
Accrued Interest Payable	356,669	150,971	507,640
Claims Payable	362,170	0	362,170
Long-Term Liabilities:			
Due Within One Year	7,456,823	2,881,117	10,337,940
Due In More Than One Year	<u>36,884,256</u>	<u>39,521,629</u>	<u>76,405,885</u>
<i>Total Liabilities</i>	<u>52,162,797</u>	<u>44,140,204</u>	<u>96,303,001</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	138,745,022	36,496,435	175,241,457
Restricted for:			
Capital Projects	4,745,648	0	4,745,648
Debt Service	713,569	2,485,022	3,198,591
Community Development	26,814,060	0	26,814,060
Police Levy	1,092,777	0	1,092,777
Law Enforcement	644,543	0	644,543
Municipal Court Computer	362,490	0	362,490
Replacement and Improvement	0	300,000	300,000
Utility Reserve	0	1,468,618	1,468,618
Other Purposes	1,169,003	0	1,169,003
Unrestricted (Deficit)	<u>(5,195,260)</u>	<u>2,453,020</u>	<u>(2,742,240)</u>
<i>Total Net Assets</i>	<u>\$169,091,852</u>	<u>\$43,203,095</u>	<u>\$212,294,947</u>

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$11,596,965	\$2,707,135	\$1,542,759	\$0
Security of Persons and Property	17,624,224	383,545	3,378,319	0
Transportation	15,196,365	0	2,352,792	1,717,034
Public Health	1,799,704	760,541	507,095	0
Community Environment	671,404	784,024	257,831	0
Economic Development	2,538,197	0	6,195,473	0
Leisure Time Activities	1,139,638	27,514	199,225	0
Interest and Fiscal Charges	1,831,945	0	0	0
<i>Total Governmental Activities</i>	<u>52,398,442</u>	<u>4,662,759</u>	<u>14,433,494</u>	<u>1,717,034</u>
Business-Type Activities				
Water Works	7,019,598	8,306,689	0	0
Water Pollution Control	8,740,898	8,287,136	0	0
<i>Total Business-Type Activities</i>	<u>15,760,496</u>	<u>16,593,825</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$68,158,938</u>	<u>\$21,256,584</u>	<u>\$14,433,494</u>	<u>\$1,717,034</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

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
(\$7,347,071)	\$0	(\$7,347,071)
(13,862,360)	0	(13,862,360)
(11,126,539)	0	(11,126,539)
(532,068)	0	(532,068)
370,451	0	370,451
3,657,276	0	3,657,276
(912,899)	0	(912,899)
(1,831,945)	0	(1,831,945)
<u>(31,585,155)</u>	<u>0</u>	<u>(31,585,155)</u>
0	1,287,091	1,287,091
<u>0</u>	<u>(453,762)</u>	<u>(453,762)</u>
<u>0</u>	<u>833,329</u>	<u>833,329</u>
<u>(31,585,155)</u>	<u>833,329</u>	<u>(30,751,826)</u>
2,832,304	0	2,832,304
260,833	0	260,833
260,833	0	260,833
953,948	0	953,948
15,163,796	0	15,163,796
2,488,604	0	2,488,604
487,998	0	487,998
217,102	9,621	226,723
347,717	61,739	409,456
<u>23,013,135</u>	<u>71,360</u>	<u>23,084,495</u>
(8,572,020)	904,689	(7,667,331)
<u>177,663,872</u>	<u>42,298,406</u>	<u>219,962,278</u>
<u>\$169,091,852</u>	<u>\$43,203,095</u>	<u>\$212,294,947</u>

City of Lorain, Ohio
Balance Sheet
Governmental Funds
December 31, 2004

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$0	\$3,578,529	\$190,327	\$922,134	\$5,587,987	\$10,278,977
Cash and Cash Equivalents						
In Segregated Accounts	97,449	0	0	0	0	97,449
Inventory Held for Resale	0	622,135	0	0	0	622,135
Materials and Supplies Inventory	107,097	1,680	0	0	171,202	279,979
Interfund Receivable	104,004	0	21,831	2,586,061	18,344	2,730,240
Intergovernmental Receivable	3,213,308	5,078,681	54,480	801,843	998,576	10,146,888
Prepaid Items	74,707	5,925	1,510	7,762	4,572	94,476
Municipal Income Taxes Receivable	2,192,002	0	0	0	365,334	2,557,336
Property and Other Taxes Receivable	2,899,547	0	983,247	0	589,950	4,472,744
Special Assessments Receivable	239,545	0	0	0	742,140	981,685
Loans Receivable	0	17,933,302	233,343	0	0	18,166,645
<i>Total Assets</i>	<u>\$8,927,659</u>	<u>\$27,220,252</u>	<u>\$1,484,738</u>	<u>\$4,317,800</u>	<u>\$8,478,105</u>	<u>\$50,428,554</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$182,585	\$54,199	\$0	\$0	\$127,068	\$363,852
Contracts Payable	0	24,183	0	286,944	1,588	312,715
Accrued Wages and Benefits	265,214	18,842	0	0	55,084	339,140
Interfund Payable	2,387,471	514	0	5,564	306,368	2,699,917
Intergovernmental Payable	1,260,790	69,164	0	58,211	186,468	1,574,633
Matured Compensated Absences Payable	28,061	0	0	0	34,164	62,225
Claims Payable	34,204	0	0	0	0	34,204
Deferred Revenue	5,279,894	4,964,952	1,271,070	725,000	2,035,630	14,276,546
<i>Total Liabilities</i>	<u>9,438,219</u>	<u>5,131,854</u>	<u>1,271,070</u>	<u>1,075,719</u>	<u>2,746,370</u>	<u>19,663,232</u>
Fund Balances						
Reserved for Encumbrances	80,690	903,490	0	1,349,780	375,312	2,709,272
Reserved for Loans	0	17,933,302	0	0	0	17,933,302
Reserved for Inventory Held for Resale	0	622,135	0	0	0	622,135
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	(591,250)	0	0	0	0	(591,250)
Special Revenue Funds	0	2,629,471	0	0	2,617,565	5,247,036
Debt Service Funds	0	0	213,668	0	0	213,668
Capital Projects Funds	0	0	0	1,892,301	2,738,858	4,631,159
<i>Total Fund Balances (Deficit)</i>	<u>(510,560)</u>	<u>22,088,398</u>	<u>213,668</u>	<u>3,242,081</u>	<u>5,731,735</u>	<u>30,765,322</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,927,659</u>	<u>\$27,220,252</u>	<u>\$1,484,738</u>	<u>\$4,317,800</u>	<u>\$8,478,105</u>	<u>\$50,428,554</u>

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, 2004*

Total Governmental Fund Balances \$30,765,322

*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. 172,811,215

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

Special Assessments	742,140
Delinquent Property Taxes	676,209
Intergovernmental	8,161,248
Municipal Income Taxes	345,446

Total 9,925,043

Bond issuance costs will be amortized over the life of the bonds
 on the statement of net assets 451,705

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	(365,126)
Capital Assets	(10,629)
Compensated Absences	134,535
Internal Balances	77,535

Total (163,685)

In the statement of activities, interest is accrued on outstanding
 bonds, whereas in governmental fund, an interest expenditure
 is reported when due (356,669)

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	(24,734,873)
Special Assessment Bonds	(860,127)
HUD Section 108 Loans	(6,785,000)
OPWC Loans	(1,904,310)
Notes Payable	(4,150,000)
Compensated Absences	(5,463,128)
Capital Leases	(425,643)
Bond Premium	(17,998)

Total (44,341,079)

Net Assets of Governmental Activities \$169,091,852

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, 2004

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Taxes	\$2,810,224	\$0	\$952,574	\$0	\$520,842	\$4,283,640
Municipal Income Taxes	15,177,953	0	0	0	2,502,330	17,680,283
Charges for Services	499,763	0	0	0	843,476	1,343,239
Licenses and Permits	959,901	0	0	0	207,952	1,167,853
Fines and Forfeitures	1,139,419	0	0	0	480,460	1,619,879
Intergovernmental	5,501,628	4,076,160	133,988	3,652,018	3,450,330	16,814,124
Special Assessments	0	0	0	0	122,704	122,704
Interest	34,119	27,156	78,797	1,944	75,086	217,102
Miscellaneous	112,376	183,737	9,393	4,817	28,155	338,478
<i>Total Revenues</i>	<u>26,235,383</u>	<u>4,287,053</u>	<u>1,174,752</u>	<u>3,658,779</u>	<u>8,231,335</u>	<u>43,587,302</u>
Expenditures						
Current:						
General Government	7,168,798	0	19,603	0	283,993	7,472,394
Security of Persons and Property	15,982,513	0	0	0	2,352,486	18,334,999
Transportation	0	0	0	0	2,261,567	2,261,567
Public Health	305,650	0	0	0	1,566,479	1,872,129
Community Environment	566,126	0	0	0	149,767	715,893
Economic Development	0	2,606,100	0	0	0	2,606,100
Leisure Time Activities	1,009,957	0	0	0	0	1,009,957
Capital Outlay	0	0	0	7,928,252	779,474	8,707,726
Debt Service:						
Principal Retirement	19,142	374,052	4,796,325	0	483,099	5,672,618
Interest and Fiscal Charges	515	362,676	1,062,433	0	327,833	1,753,457
<i>Total Expenditures</i>	<u>25,052,701</u>	<u>3,342,828</u>	<u>5,878,361</u>	<u>7,928,252</u>	<u>8,204,698</u>	<u>50,406,840</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,182,682</u>	<u>944,225</u>	<u>(4,703,609)</u>	<u>(4,269,473)</u>	<u>26,637</u>	<u>(6,819,538)</u>
Other Financing Sources (Uses)						
Notes Issued	0	0	3,625,000	525,000	0	4,150,000
Loans Received	0	2,200,000	0	152,536	0	2,352,536
Transfers In	0	135,000	926,871	145,565	645,783	1,853,219
Transfers Out	(1,283,458)	0	0	(85,000)	(484,761)	(1,853,219)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,283,458)</u>	<u>2,335,000</u>	<u>4,551,871</u>	<u>738,101</u>	<u>161,022</u>	<u>6,502,536</u>
<i>Net Change in Fund Balances</i>	<u>(100,776)</u>	<u>3,279,225</u>	<u>(151,738)</u>	<u>(3,531,372)</u>	<u>187,659</u>	<u>(317,002)</u>
<i>Fund Balances (Deficit) Beginning of Year</i>						
- Restated (Note 3)	<u>(409,784)</u>	<u>18,809,173</u>	<u>365,406</u>	<u>6,773,453</u>	<u>5,544,076</u>	<u>31,082,324</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$510,560)</u>	<u>\$22,088,398</u>	<u>\$213,668</u>	<u>\$3,242,081</u>	<u>\$5,731,735</u>	<u>\$30,765,322</u>

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, 2004*

Net Change in Fund Balances - Total Governmental Funds (\$317,002)

*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 capital outlays exceeded depreciation in the current period:

Capital Asset Additions	10,563,023	
Current Year Depreciation	<u>(18,128,360)</u>	
Total		(7,565,337)

In the statement of activities, a gain or loss is reported for each disposal of capital assets (62,196)

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

Delinquent Property Taxes	24,278	
Intergovernmental	(175,598)	
Municipal Income Taxes	(27,883)	
Special Assessments	<u>306,597</u>	
Total		127,394

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:

Notes Issued	(4,150,000)	
Loans Issued	<u>(2,352,536)</u>	
Total		(6,502,536)

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	5,501,816	
Capital Lease Principal	<u>166,750</u>	
Total		5,668,566

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

Accrued Interest	(55,612)	
Amortization of Bond Premium	949	
Amortization of Bond Issuance Costs	<u>(23,825)</u>	
Total		(78,488)

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	214,878
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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	(97,003)	
Capital Assets	(10,629)	
Compensated Absences	29,104	
Internal Balance	<u>21,229</u>	
Total		<u>(57,299)</u>

Change in Net Assets of Governmental Activities (\$8,572,020)

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Taxes	\$2,841,722	\$2,841,722	\$2,810,224	(\$31,498)
Municipal Income Taxes	14,625,326	14,618,660	14,790,652	171,992
Charges for Services	550,600	550,600	468,440	(82,160)
Licenses and Permits	902,850	902,850	1,052,330	149,480
Fines and Forfeitures	1,065,000	1,080,425	1,061,317	(19,108)
Intergovernmental	5,412,443	5,416,693	5,360,759	(55,934)
Interest	1,000	1,000	28,779	27,779
Miscellaneous	80,550	83,214	112,376	29,162
<i>Total Revenues</i>	<u>25,479,491</u>	<u>25,495,164</u>	<u>25,684,877</u>	<u>189,713</u>
Expenditures:				
Current:				
General Government	6,509,065	6,668,646	7,224,806	(556,160)
Security of Persons and Property	14,238,872	14,186,290	15,949,946	(1,763,656)
Public Health	281,836	308,986	298,436	10,550
Community Environment	546,344	552,122	549,266	2,856
Leisure Time Activities	1,056,371	1,002,983	993,811	9,172
Debt Service:				
Principal Retirement	19,142	19,142	19,142	0
Interest and Fiscal Charges	515	515	515	0
<i>Total Expenditures</i>	<u>22,652,145</u>	<u>22,738,684</u>	<u>25,035,922</u>	<u>(2,297,238)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>2,827,346</u>	<u>2,756,480</u>	<u>648,955</u>	<u>(2,107,525)</u>
Other Financing Sources (Uses):				
Advances In	0	1,886,752	1,886,792	40
Advances Out	0	(1,886,752)	(1,996,816)	(110,064)
Transfers Out	(483,589)	(489,302)	(1,283,458)	(794,156)
<i>Total Other Financing Sources (Uses)</i>	<u>(483,589)</u>	<u>(489,302)</u>	<u>(1,393,482)</u>	<u>(904,180)</u>
<i>Net Change in Fund Balance</i>	2,343,757	2,267,178	(744,527)	(3,011,705)
<i>Fund Balance (Deficit) Beginning of Year</i>	(2,147,227)	(2,147,227)	(2,147,227)	0
Prior Year Encumbrances Appropriated	112,144	112,144	112,144	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$308,674</u>	<u>\$232,095</u>	<u>(\$2,779,610)</u>	<u>(\$3,011,705)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$6,656,650	\$7,790,831	\$5,433,250	(\$2,357,581)
Interest	15,714	15,989	25,464	9,475
Miscellaneous	16,785	101,785	183,737	81,952
<i>Total Revenues</i>	<u>6,689,149</u>	<u>7,908,605</u>	<u>5,642,451</u>	<u>(2,266,154)</u>
Expenditures:				
Current:				
Economic Development	6,629,759	10,726,214	7,209,243	3,516,971
Debt Service:				
Principal Retirement	574,593	574,868	374,052	200,816
Interest and Fiscal Charges	616,309	616,309	362,676	253,633
<i>Total Expenditures</i>	<u>7,820,661</u>	<u>11,917,391</u>	<u>7,945,971</u>	<u>3,971,420</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,131,512)</u>	<u>(4,008,786)</u>	<u>(2,303,520)</u>	<u>1,705,266</u>
Other Financing Sources:				
Loans Issued	0	2,200,000	2,200,000	0
Transfers In	166,000	101,255	135,000	33,745
<i>Total Other Financing Sources</i>	<u>166,000</u>	<u>2,301,255</u>	<u>2,335,000</u>	<u>33,745</u>
<i>Net Change in Fund Balance</i>	(965,512)	(1,707,531)	31,480	1,739,011
<i>Fund Balance Beginning of Year</i>	2,206,127	2,206,127	2,206,127	0
Prior Year Encumbrances Appropriated	396,474	396,474	396,474	0
<i>Fund Balance End of Year</i>	<u>\$1,637,089</u>	<u>\$895,070</u>	<u>\$2,634,081</u>	<u>\$1,739,011</u>

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
Assets				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$819,020	\$904,872	\$1,723,892	\$102,494
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	524,760	1,243,858	1,768,618	0
Accounts Receivable	1,273,288	1,618,577	2,891,865	0
Materials and Supplies Inventory	456,779	163,736	620,515	80,155
Interfund Receivable	0	3,106	3,106	97,615
Intergovernmental Receivable	9,697	46,714	56,411	0
Prepaid Items	32,744	12,330	45,074	0
<i>Total Current Assets</i>	<u>3,116,288</u>	<u>3,993,193</u>	<u>7,109,481</u>	<u>280,264</u>
<i>Noncurrent Assets</i>				
Restricted Assets:				
Cash and Cash Equivalents With Trustee	1,214,692	1,413,328	2,628,020	0
Unamortized Bond Issuance Costs	158,096	106,889	264,985	0
Non-Depreciable Capital Assets	4,203,096	7,895,477	12,098,573	0
Depreciable Capital Assets, Net	20,330,645	45,025,467	65,356,112	10,629
<i>Total Noncurrent Assets</i>	<u>25,906,529</u>	<u>54,441,161</u>	<u>80,347,690</u>	<u>10,629</u>
<i>Total Assets</i>	<u>29,022,817</u>	<u>58,434,354</u>	<u>87,457,171</u>	<u>290,893</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	99,720	133,658	233,378	61,641
Contracts Payable	4,774	402,997	407,771	0
Accrued Wages and Benefits	63,662	73,282	136,944	8,791
Matured Compensated Absences Payable	37,501	18,134	55,635	1,276
Intergovernmental Payable	191,439	229,976	421,415	27,103
Accrued Interest Payable	6,865	1,108	7,973	0
Retainage Payable	128,281	203,063	331,344	0
Interfund Payable	29,915	6,422	36,337	94,707
Claims Payable	0	0	0	327,966
Capital Leases Payable	0	13,020	13,020	0
Compensated Absences Payable	95,141	83,274	178,415	30,163
Bonds Payable - Current	215,000	125,000	340,000	0
OWDA Loans - Current	347,012	1,027,670	1,374,682	0
<i>Total Current Liabilities</i>	<u>1,219,310</u>	<u>2,317,604</u>	<u>3,536,914</u>	<u>551,647</u>
<i>Current Liabilities Payable from Restricted Assets</i>				
Revenue Bonds Payable	440,000	535,000	975,000	0
Accrued Interest Payable	88,425	54,573	142,998	0
<i>Total Current Liabilities Payable from Restricted Assets</i>	<u>528,425</u>	<u>589,573</u>	<u>1,117,998</u>	<u>0</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>				
Capital Leases Payable	0	119,375	119,375	0
Compensated Absences Payable	443,008	558,088	1,001,096	104,372
Bonds Payable	7,794,096	3,456,972	11,251,068	0
OWDA Loans	9,927,349	17,222,741	27,150,090	0
<i>Total Long-Term Liabilities</i>	<u>18,164,453</u>	<u>21,357,176</u>	<u>39,521,629</u>	<u>104,372</u>
<i>Total Liabilities</i>	<u>19,912,188</u>	<u>24,264,353</u>	<u>44,176,541</u>	<u>656,019</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,968,380	30,528,055	36,496,435	0
Restricted For:				
Debt Service	1,126,267	1,358,755	2,485,022	0
Replacement and Improvement	150,000	150,000	300,000	0
Utility Reserve	374,760	1,093,858	1,468,618	0
Unrestricted (Deficit)	1,491,222	1,039,333	2,530,555	(365,126)
<i>Total Net Assets (Deficit)</i>	<u>\$9,110,629</u>	<u>\$34,170,001</u>	<u>43,280,630</u>	<u>(\$365,126)</u>

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 (77,535)

Net assets business-type activities \$43,203,095

City of Lorain, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004*

	<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>
Operating Revenues				
Charges for Services	\$7,512,991	\$7,533,841	\$15,046,832	\$5,204,393
Water/Sewer Charges Pledged as Security for Revenue Bonds	793,698	753,295	1,546,993	0
Miscellaneous	35,806	25,933	61,739	11,827
<i>Total Operating Revenues</i>	<u>8,342,495</u>	<u>8,313,069</u>	<u>16,655,564</u>	<u>5,216,220</u>
Operating Expenses				
Personal Services	3,732,110	4,484,952	8,217,062	509,971
Materials and Supplies	459,458	319,223	778,681	657,385
Contractual Services	469,640	499,384	969,024	1,459
Claims	0	0	0	4,141,851
Basic Utilities	586,015	709,616	1,295,631	0
Other Operating Expenses	160,717	211,778	372,495	2,191
Depreciation	663,475	1,549,563	2,213,038	366
<i>Total Operating Expenses</i>	<u>6,071,415</u>	<u>7,774,516</u>	<u>13,845,931</u>	<u>5,313,223</u>
<i>Operating Income (Loss)</i>	<u>2,271,080</u>	<u>538,553</u>	<u>2,809,633</u>	<u>(97,003)</u>
Non-Operating Revenues (Expenses)				
Interest	4,350	5,271	9,621	0
Interest and Fiscal Charges	(938,382)	(954,954)	(1,893,336)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(934,032)</u>	<u>(949,683)</u>	<u>(1,883,715)</u>	<u>0</u>
<i>Change in Net Assets</i>	1,337,048	(411,130)	925,918	(97,003)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>7,773,581</u>	<u>34,581,131</u>		<u>(268,123)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$9,110,629</u>	<u>\$34,170,001</u>		<u>(\$365,126)</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 (21,229)

Change in net assets business-type activities \$904,689

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$8,363,496	\$8,028,348	\$16,391,844	\$0
Cash Received from Transactions with Other Funds	0	0	0	5,132,780
Cash Payments for Goods and Services	(1,702,960)	(1,951,400)	(3,654,360)	(660,271)
Cash Payments for Employee Services and Benefits	(3,742,397)	(4,450,595)	(8,192,992)	(471,704)
Cash Payments for Claims	0	0	0	(4,314,043)
Other Operating Revenues	35,806	25,933	61,739	11,827
Other Cash Payments	0	0	0	(441)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,953,945</u>	<u>1,652,286</u>	<u>4,606,231</u>	<u>(301,852)</u>
Cash Flows from Noncapital Financing Activities				
Advances In	0	0	0	94,707
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(512,165)	(4,564,419)	(5,076,584)	(10,995)
OWDA Loans Received	482,152	3,832,401	4,314,553	0
Principal Paid on Bonds	(210,000)	(125,000)	(335,000)	0
Interest Paid on Bonds	(99,440)	(26,875)	(126,315)	0
Principal Paid on Revenue Bonds	(420,000)	(510,000)	(930,000)	0
Interest Paid on Revenue Bonds	(365,739)	(244,165)	(609,904)	0
Principal Paid on OWDA Loans	(618,077)	(826,683)	(1,444,760)	0
Interest Paid on OWDA Loans	(436,071)	(608,693)	(1,044,764)	0
Principal Paid on Capital Leases	0	(12,385)	(12,385)	0
Interest Paid on Capital Leases	0	(7,427)	(7,427)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,179,340)</u>	<u>(3,093,246)</u>	<u>(5,272,586)</u>	<u>(10,995)</u>
Cash Flows from Investing Activities				
Interest	4,350	5,271	9,621	0
Net Increase (Decrease) in Cash and Cash Equivalents	778,955	(1,435,689)	(656,734)	(218,140)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,779,517</u>	<u>4,997,747</u>	<u>6,777,264</u>	<u>320,634</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,558,472</u>	<u>\$3,562,058</u>	<u>\$6,120,530</u>	<u>\$102,494</u>

(continued)

City of Lorain, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2004

	Business-Type Activities			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities				
Operating Income (Loss)	\$2,271,080	\$538,553	\$2,809,633	(\$97,003)
<i>Adjustments:</i>				
Depreciation	663,475	1,549,563	2,213,038	366
(Increase) Decrease in Assets:				
Accounts Receivable	64,732	(267,379)	(202,647)	0
Interfund Receivable	1,723	(2,019)	(296)	(71,613)
Intergovernmental Receivable	(9,697)	10,389	692	0
Materials and Supplies Inventory	(52,312)	5,132	(47,180)	7,728
Prepaid Items	(3,231)	(7,327)	(10,558)	31
Increase (Decrease) in Liabilities:				
Accounts Payable	19,680	(12,097)	7,583	(6,047)
Contracts Payable	2,974	(325,460)	(322,486)	0
Accrued Wages and Benefits	31,995	36,769	68,764	4,590
Claims Payable	0	0	0	(172,192)
Matured Compensated Absences Payable	8,514	17,748	26,262	1,276
Compensated Absences Payable	(38,505)	(29,337)	(67,842)	29,104
Interfund Payable	4,369	3,458	7,827	0
Intergovernmental Payable	(12,440)	8,601	(3,839)	1,908
Retainage Payable	1,588	125,692	127,280	0
<i>Total Adjustments</i>	682,865	1,113,733	1,796,598	(204,849)
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$2,953,945	\$1,652,286	\$4,606,231	(\$301,852)

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$556,015</u>
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Liabilities

Deposits Held and Due to Others	<u>\$556,015</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, 2004

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 twelve 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, 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 is associated with the Northeast Ohio Areawide Coordinating Agency, a jointly governed organization, and the Lorain Port Authority, a related organization. These organizations are presented in Notes 16 and 17, respectively.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

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, 2004

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, 2004

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, 2004

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, 2004, but which were levied to finance year 2005 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, 2004

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 advance 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 combined 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 City utilizes a financial institution to service bonded debt as principal and interest come due. The balances of these accounts are presented on the combined balance sheet as restricted assets: "cash and cash equivalents with trustees" and represent deposits or short-term investments in a mutual fund.

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.

During 2004, 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.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

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, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$34,119 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 infill housing project.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, 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. Unamortized Bond Issuance Costs

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.

J. Restricted Assets

Amounts held in trust by the City and trustees that are legally restricted for use in paying current 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.

K. 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.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

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 for capital assets and one hundred thousand for infrastructure. 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:

<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, water and sewer lines and includes infrastructure acquired prior to December 31, 1980. The City plans to phase in the remaining infrastructure assets consisting of storm sewers and bridges in future years.

L. 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.

M. 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.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

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.

N. 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 judgements 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.

O. 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 and loans receivable which represent revolving loan fund monies (community development block grant) loaned to local businesses.

P. 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 \$37,310,708 of restricted net assets, of which \$1,369,166 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 fund.

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

Q. Interfund Activity

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.

R. 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.

S. 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.

T. 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 - Changes in Accounting Principles and Restatement of Prior Year's Fund Balance

For 2004, the City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers."

GASB Statement No. 39 states that entities for which a primary organization is not financially accountable may still be reported as a component united based on the nature and significance of their relationship with the primary government.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

GASB Statement No. 46 clarifies how enabling legislation should be defined for determining restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39 and GASB Statement No. 46 did not affect the presentation of the financial statements of the City. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on fund balance at December 31, 2003:

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total
Fund Balance, December 31, 2003	\$858,006	\$18,875,616	\$365,406	\$6,773,453	\$5,745,589	\$32,618,070
Intergovernmental Payable	(1,267,790)	(66,443)	0	0	(201,513)	(1,535,746)
Restated Fund Balance (Deficit), December 31, 2003	<u>(\$409,784)</u>	<u>\$18,809,173</u>	<u>\$365,406</u>	<u>\$6,773,453</u>	<u>\$5,544,076</u>	<u>\$31,082,324</u>

Note 4 – Fund Deficits and Legal Compliance

A. Fund Deficits

Fund balances at December 31, 2004 included the following individual fund balance deficits:

<u>Major Funds:</u>	<u>Deficit</u>
General Fund	\$510,560
Nonmajor Funds:	
Special Revenue Funds:	
Health Services	54,076
Police Pension	113,579
Fire Pension	131,663
Internal Service Funds:	
Garage	102,657
Hospitalization	262,469

The deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur. The City will evaluate their operations and determine the necessary steps to avoid this situation in the future.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

B. Legal Compliance

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

<u>Major Funds:</u>	<u>Final Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund:			
Council			
Wages and Benefits	\$257,656	\$257,860	(\$204)
Safety/Service Director			
Contractual Services	466,293	1,049,470	(583,177)
Other	188,555	218,613	(30,058)
Data Processing			
Wages and Benefits	134,141	134,809	(668)
Police Department			
Wages and Benefits	6,943,054	7,828,311	(885,257)
Fire Department			
Wages and Benefits	6,118,014	7,022,524	(904,510)
Other Financing Uses			
Advances Out	1,886,752	1,996,816	(110,064)
Transfers Out	489,302	1,283,458	(794,156)
Bond Retirement			
Interest and Fiscal Charges	1,074,306	1,074,317	(11)

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	\$2,340,819

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

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

	General	Community Development
GAAP Basis	(\$100,776)	\$3,279,225
Net Adjustment for Revenue Accruals	(550,506)	(21,892)
Loan Repayments	0	1,377,290
Advances Out	(1,996,816)	0
Advances In	1,886,792	0
Net Adjustment for Expenditure Accruals	116,674	(280,122)
Loans Issued	0	(3,386,516)
Encumbrances	(99,895)	(936,505)
Budget Basis	(\$744,527)	\$31,480

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.

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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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. 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:

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

City of Lorain, Ohio
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Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information on classified deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year-end, the carrying amount of the City's deposits was \$11,785,900 and the bank balance was \$13,422,212. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$13,122,212 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires the use of three categories to classify investments. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's, trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments, which are held by the counter party, or by its trust department or agent but not in the City's name. STAROhio and the investment in the U.S. Treasury money market fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair and Carrying Value
Repurchase Agreements	\$402,116	\$402,116
Money Market Funds		3,001,241
STAROhio		1,966,208
Total Investments		\$5,369,565

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3, is as follows:

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	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$17,155,465	\$0
Investments:		
Money Market Fund	(3,001,241)	3,001,241
Repurchase Agreement	(402,116)	402,116
STAROhio	(1,966,208)	1,966,208
GASB Statement No. 3	\$11,785,900	\$5,369,565

Note 7 - Receivables

Receivables at December 31, 2004 consist primarily of municipal income taxes, property and other taxes, accounts (billings for utility services), special assessments, accrued interest on investments, community development loans to businesses and property owners, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full. Special assessments due in more than one year are \$762,423 and delinquent special assessments outstanding are \$759,656.

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 \$17,933,302 on the basic financial statements is stated net of estimated uncollectibles of \$1,202,657, with \$1,335,320 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, 2004 the fund has recorded a loan receivable balance of \$233,343 as a result of this transaction, with \$21,060 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 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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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. 2004 public utility property taxes, which became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2004, was \$4.96 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$805,857,060
Public Utility Property	77,299,320
Tangible Personal Property	<u>96,046,696</u>
Total Valuation	<u><u>\$979,203,076</u></u>

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

Tangible personal property taxes paid 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 at September 20.

The 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. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2004 and for which there is an 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 2004 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 one and three-quarter percent on substantially all earned income arising from employment, residency or business activities within the City. 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. By City ordinance, income tax proceeds are designated to the general fund (one and one-half percent) and to the police levy fund (one-quarter percent).

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

C. Intergovernmental Receivables

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

	<u>Amount</u>
<u>Governmental Activities:</u>	
Grants	\$6,236,691
Local Government	2,418,311
Gasoline Tax	817,815
Estate Tax	347,452
Homestead and Rollback	219,580
Charges for Services	41,271
Motor Vehicle Tax	33,047
Permissive Tax	19,805
Liquor and Beer Tax	12,702
Other Taxes	214
Total Governmental Activities	<u>10,146,888</u>
<u>Business-Type Activities:</u>	
Utility Charges	<u>56,411</u>
Total	<u><u>\$10,203,299</u></u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
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Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$7,148,077	\$1,224,265	\$0	\$8,372,342
Construction in Progress	8,569,777	8,719,021	(299,495)	16,989,303
<i>Total Capital Assets, Not Being Depreciated</i>	<u>15,717,854</u>	<u>9,943,286</u>	<u>(299,495)</u>	<u>25,361,645</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	13,769,189	378,485	0	14,147,674
Machinery and Equipment	12,295,240	482,747	(111,909)	12,666,078
Furniture and Fixtures	89,268	0	0	89,268
Infrastructure:				
Streets and Sidewalks	987,774,763	58,000	0	987,832,763
<i>Total Capital Assets, Being Depreciated</i>	<u>1,013,928,460</u>	<u>919,232</u>	<u>(111,909)</u>	<u>1,014,735,783</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,081,061)	(326,842)	0	(5,407,903)
Machinery and Equipment	(4,665,834)	(654,933)	49,713	(5,271,054)
Furniture and Fixtures	(30,576)	(4,464)	0	(35,040)
Infrastructure:				
Streets and Sidewalks	(839,430,095)	(17,142,121)	0	(856,572,216)
<i>Total Accumulated Depreciation</i>	<u>(849,207,566)</u>	<u>(18,128,360)</u>	<u>49,713</u>	<u>(867,286,213)</u>
Total Capital Assets, Being Depreciated, Net	<u>164,720,894</u>	<u>(17,209,128)</u>	<u>(62,196)</u>	<u>147,449,570</u>
Governmental Activities Capital Assets, Net	<u>\$180,438,748</u>	<u>(\$7,265,842)</u>	<u>(\$361,691)</u>	<u>\$172,811,215</u>

City of Lorain, Ohio
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For The Year Ended December 31, 2004

	<u>Balance 12/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/04</u>
Business-type Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$617,876	\$0	\$0	\$617,876
Construction in Progress	11,961,317	5,037,961	(5,518,581)	11,480,697
<i>Total Capital Assets, Not Being Depreciated</i>	<u>12,579,193</u>	<u>5,037,961</u>	<u>(5,518,581)</u>	<u>12,098,573</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	43,891,104	5,335,376	0	49,226,480
Machinery and Equipment	19,011,250	221,828	0	19,233,078
Infrastructure:				
Water Lines	21,749,782	0	0	21,749,782
Sewer Lines	49,355,020	0	0	49,355,020
<i>Total Capital Assets, Being Depreciated</i>	<u>134,007,156</u>	<u>5,557,204</u>	<u>0</u>	<u>139,564,360</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(21,163,564)	(848,495)	0	(22,012,059)
Machinery and Equipment	(16,668,653)	(157,429)	0	(16,826,082)
Infrastructure:				
Water Lines	(9,226,344)	(352,515)	0	(9,578,859)
Sewer Lines	(24,936,649)	(854,599)	0	(25,791,248)
<i>Total Accumulated Depreciation</i>	<u>(71,995,210)</u>	<u>(2,213,038)</u>	<u>0</u>	<u>(74,208,248)</u>
Total Capital Assets, Being Depreciated, Net	<u>62,011,946</u>	<u>3,344,166</u>	<u>0</u>	<u>65,356,112</u>
Business-type Activities Capital Assets, Net	<u>\$74,591,139</u>	<u>\$8,382,127</u>	<u>(\$5,518,581)</u>	<u>\$77,454,685</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$4,424,677
Security of Persons and Property	320,677
Transportation	13,038,848
Public Health	27,513
Community Environment	3,802
Economic Development	61,749
Leisure Time Activities	251,094
Total Depreciation Expense	<u>\$18,128,360</u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

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 does not carry general liability insurance. The City's policy for general liability claims is to bear the cost of these claims. The City accrues general liability claims in the General fund. The accrual is based on claims paid in each of the previous three years. During 2004, the City contracted with several companies for other types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Limits of Coverage</u>
Arthur J. Gallagher and Company	Automobile Liability and Property Damage	\$5,000,000
	Law Enforcement Liability	5,000,000
	Public Officials Liability	5,000,000
	General Liability	5,000,000
	Commercial Property Bolier/Machinery Coverage	50,000,000
	Property and Contents City Buildings	115,305,279

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.

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 2004 were \$700 per month for single and family coverage. Employees covered under separate ordinances for non-bargaining, management, United Steelworkers Local 6621 and elected officials paid \$40 for family coverage and \$20 for single coverage per month for the second half of the year. Police and Fire bargaining unit employees were not required to pay for

City of Lorain, Ohio
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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 \$2,938,476 per year. No individual exceeded the \$100,000 specific threshold, nor was the aggregate exceeded.

The claims liability of \$327,966 reported in the fund at December 31, 2004 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 2003 and 2004 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$218,380	\$3,888,989	\$3,607,211	\$500,158
2004	500,158	4,141,851	4,314,043	327,966

Note 10 – Outstanding Debt

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>			
1984 Various Improvements	10.75 %	\$475,000	December 1, 2004
1984 Fire Station Improvements	10.75	630,000	December 1, 2005
1984 Real Estate Acquisition	10.75	635,000	December 1, 2005
1984 Real Estate Acquisition	10.75	715,000	December 1, 2005
1984 Storm Sewer	10.75	1,340,000	December 1, 2005
1988 Street Improvement (G.O. Portion)	7.50	255,563	December 1, 2008
1989 Various Purposes Improvement	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
<i>Special Assessment Bonds:</i>			
1983 Street Improvement	10.25	1,135,756	December 1, 2004
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

City of Lorain, Ohio
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Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Long-Term Notes:</i>			
Real Estate Acquisition & Street Improvement	2.75 %	\$3,625,000	April 1, 2004
Real Estate Acquisition & Street Improvement	2.75	4,000,000	March 17, 2005
Street Improvement Note	3.52	150,000	June 15, 2005
<i>Ohio Public Works Commission Loans:</i>			
Hydrants and Valves (#CI407)	0.00 %	\$127,050	July 1, 2004
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	409,500	July 1, 2015
<i>Installment Loans:</i>			
AS 400 Mainframe Computer	4.09	49,999	December 1, 2004
AS 400 Operating System	6.50	5,684	December 1, 2004
<i>Enterprise General Obligation Bonds:</i>			
1984 Water Various Purpose	10.75	2,000,000	December 1, 2005
1984 Sewer Various Purpose	10.75	2,500,000	December 1, 2005
1995 Various Purpose - (Water Fund portion)	3.90-5.65	2,405,110	December 1, 2013
<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	April 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	2,425,291	July 1, 2021
2001 Tacoma Ave. Relief Sewer (#2322)	2.81	4,911,581	January 1, 2021
2001 Idaho Ave. SSO Elimination (#3268)	3.66	10,274,518	July 1, 2021
2003 4W Waterline Replacement (Various locations) (#3814)	4.90	3,562,641	July 1, 2034
2004 Kay Drive Retention Basin (#4150)	3.81	2,115,803	July 1, 2019
2004 Amherst Township Relief Sewer (#4151)	3.81	889,010	January 1, 2020
2004 Pearl Road & Tacoma Pump Station (4156)	3.81	827,588	July 1, 2014

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Changes in bonds and other long-term obligations of the City during 2004 were as follows:

	Principal Outstanding 12/31/03	Additions	Deletions	Principal Outstanding 12/31/04	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
Various Improvements	\$25,000	\$0	\$25,000	\$0	\$0
Fire Station Improvements	70,000	0	35,000	35,000	35,000
Real Estate Acquisition	70,000	0	35,000	35,000	35,000
Real Estate Acquisition	80,000	0	40,000	40,000	40,000
Storm Sewer	140,000	0	70,000	70,000	70,000
Street Improvement	66,669	0	13,334	53,335	13,334
Various Purpose Improvements	600,000	0	100,000	500,000	100,000
Various Purposes	1,945,000	0	145,000	1,800,000	155,000
Capital Purposes	2,070,000	0	275,000	1,795,000	290,000
Accrued Pension Fund Liability	1,845,000	0	50,000	1,795,000	55,000
Riverfront Urban Renewal Phase I	4,755,000	0	100,000	4,655,000	105,000
Safety/Service Action Plan	8,630,000	0	300,000	8,330,000	310,000
Riverfront Urban Renewal Phase II & III	4,470,000	0	0	4,470,000	0
Park and Street Improvements	1,200,500	0	43,962	1,156,538	43,962
Unamortized Premium	18,947	0	949	17,998	0
<i>Total General Obligation Bonds</i>	<u>25,986,116</u>	<u>0</u>	<u>1,233,245</u>	<u>24,752,871</u>	<u>1,252,296</u>
<i>Special Assessment Bonds:</i>					
Street Improvement	55,000	0	55,000	0	0
Street Improvement	383,331	0	76,666	306,665	76,666
Park and Street Improvements	574,500	0	21,038	553,462	21,038
<i>Total Special Assessment Bonds</i>	<u>1,012,831</u>	<u>0</u>	<u>152,704</u>	<u>860,127</u>	<u>97,704</u>
<i>HUD Section 108 Loans</i>					
Community Development	1,875,000	0	125,000	1,750,000	125,000
Head Start	90,000	0	10,000	80,000	10,000
Head Start	990,000	0	110,000	880,000	110,000
Colorado Instrustrial Park	2,000,000	0	125,000	1,875,000	125,000
Land Acquisition	0	2,200,000	0	2,200,000	70,000
<i>Total HUD Section 108 Loans</i>	<u>4,955,000</u>	<u>2,200,000</u>	<u>370,000</u>	<u>6,785,000</u>	<u>440,000</u>
<i>Other Obligations</i>					
Long-Term Notes	3,625,000	4,150,000	3,625,000	4,150,000	4,150,000
OPWC Loans	1,855,803	152,536	104,029	1,904,310	129,993
Installment Loans	17,787	0	17,787	0	0
Capital Leases	592,393	0	166,750	425,643	176,412
CDBG Interest Liability	0	4,052	4,052	0	0
Compensated Absences	5,678,006	943,351	1,158,229	5,463,128	1,210,418
<i>Total Governmental Activities</i>	<u>\$43,722,936</u>	<u>\$7,449,939</u>	<u>\$6,831,796</u>	<u>\$44,341,079</u>	<u>\$7,456,823</u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

	Principal Outstanding 12/31/03	Additions	Deletions	Principal Outstanding 12/31/04	Due Within One Year
Business-Type Activities					
<i>General Obligation Bonds:</i>					
Water Various Purpose	\$200,000	\$0	\$100,000	\$100,000	\$100,000
Sewer Various Purpose	250,000	0	125,000	125,000	125,000
Various Purpose - Water	1,435,000	0	110,000	1,325,000	115,000
<i>Total General Obligation Bonds</i>	<u>1,885,000</u>	<u>0</u>	<u>335,000</u>	<u>1,550,000</u>	<u>340,000</u>
<i>Revenue Bonds:</i>					
Water System Revenue	7,436,443	7,653	420,000	7,024,096	440,000
Sewer System Refunding Revenue	4,846,359	2,577	510,000	4,338,936	535,000
Deferred Loss on Refunding	(402,612)	55,648	0	(346,964)	0
<i>Total Revenue Bonds</i>	<u>11,880,190</u>	<u>65,878</u>	<u>930,000</u>	<u>11,016,068</u>	<u>975,000</u>
<i>Ohio Water Development Authority Loans:</i>					
SE Sewer Intercept	1,145,974	0	124,227	1,021,747	131,992
Administration Building	313,855	0	313,855	0	0
East Erie Waterlines	1,936,458	0	78,586	1,857,872	82,909
E. 28th St./Pearl Ave. Relief Sewer	982,921	0	47,175	935,746	48,557
Colorado Ave./Root Rd. Waterline	411,247	0	14,291	396,956	15,180
Colorado/Root/E. Erie Waterline	2,439,264	0	99,205	2,340,059	103,598
Westside Waterline Replacement	2,228,973	0	84,957	2,144,016	88,945
Tacoma Ave. Relief Sewer	4,286,501	0	202,215	4,084,286	209,386
Idaho Ave. SSO Elimination	8,829,297	0	389,955	8,439,342	404,358
4W Waterline Replacement	3,080,489	482,152	27,183	3,535,458	56,380
Kay Drive Retention Basin	0	2,115,803	44,750	2,071,053	112,543
Amherst Township Relief Sewer	0	889,010	18,361	870,649	45,375
Pearl Road & Tacoma Pump Station	0	827,588	0	827,588	75,459
<i>Total Ohio Water Development Authority Loans</i>	<u>25,654,979</u>	<u>4,314,553</u>	<u>1,444,760</u>	<u>28,524,772</u>	<u>1,374,682</u>
Capital Leases	144,780	0	12,385	132,395	13,020
Compensated Absences	1,247,353	81,862	149,704	1,179,511	178,415
<i>Total Business-Type Activities</i>	<u>\$40,812,302</u>	<u>\$4,462,293</u>	<u>\$2,871,849</u>	<u>\$42,402,746</u>	<u>\$2,881,117</u>

General obligation bonds will be paid from the general bond retirement debt service fund. 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 loans are paid from the community development special revenue fund.

Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the funds which received the proceeds and the full accrual governmental statements and will be paid from the debt service fund.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

The real estate acquisition and street improvement notes were retired during 2004. \$4,000,000 in notes was issued for the acquisition of property for a park and for improvements to Oak Point Road. \$3,625,000 of proceeds was deposited in the general obligation bond retirement debt service fund and \$375,000 was deposited in the capital improvements capital projects fund. \$150,000 in notes was issued for street improvements and was deposited in the capital improvements capital projects fund.

OPWC loans will be paid from the general obligation bond retirement debt service fund and the installment loans for computer equipment will be paid from the general fund.

Capital leases will be paid from the general fund, the street construction and police levy special revenue funds.

The CDBG interest liability loan is owed to HUD for interest earned on HUD funds held by the City and will be paid by the community development special revenue fund.

Compensated absences will be paid from the general fund, the community development, streets, health services, police levy, municipal court computer and legal research 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 loan 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.

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

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

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, 2004:

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,413,328
Restricted assets held by the City	
Utility Reserve Fund	1,093,858
Replacement and Improvement Fund	150,000

The sewer system refunding bonds, Series 1995 had a balance at December 31, 2004 of \$4,338,936, net of the unamortized discount.

The water 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:

Redemption Dates (Dates Inclusive)	Redemption Prices
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, 2004:

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,214,692
Restricted assets held by the City	
Utility Reserve Fund	374,760
Replacement and Improvement Fund	150,000

The water revenue bonds, Series 1995, had a balance at December 31, 2004 of \$7,024,096 net of the unamortized discount.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

The City's overall legal debt margin was \$65,455,808 at December 31, 2004. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Governmental Activities:

Years	General Obligation Bonds		Special Assessment Bonds		HUD Section 108 Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$1,252,296	\$1,212,401	\$97,704	\$46,687	\$440,000	\$400,580
2006	1,107,296	1,145,981	97,704	40,516	445,000	382,434
2007	1,152,296	1,094,469	97,704	34,319	445,000	362,252
2008	1,185,678	1,040,995	99,323	28,022	450,000	340,834
2009	1,087,343	984,745	22,657	21,592	455,000	317,869
2010-2014	5,177,153	4,210,938	127,847	94,478	1,994,000	1,213,949
2015-2019	4,801,405	2,981,610	158,594	63,282	1,620,000	657,396
2020-2024	4,916,406	1,774,954	158,594	20,229	936,000	182,545
2025-2029	3,225,000	593,026	0	0	0	0
2030-2034	830,000	75,825	0	0	0	0
Total	\$24,734,873	\$15,114,944	\$860,127	\$349,125	\$6,785,000	\$3,857,859

Years	OPWC	Total	
	Loans	Governmental Activities	
	Principal	Principal	Interest
2005	\$129,993	\$1,919,993	\$1,659,668
2006	160,303	1,810,303	1,568,931
2007	160,303	1,855,303	1,491,040
2008	160,303	1,895,304	1,409,851
2009	160,303	1,725,303	1,324,206
2010-2014	730,537	8,029,537	5,519,365
2015-2019	315,165	6,895,164	3,702,288
2020-2024	87,403	6,098,403	1,977,728
2025-2029	0	3,225,000	593,026
2030-2034	0	830,000	75,825
Total	\$1,904,310	\$34,284,310	\$19,321,928

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

Business-Type Activities:

Years	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$340,000	\$96,738	\$975,000	\$571,993
2006	125,000	66,800	1,025,000	522,611
2007	130,000	60,362	1,075,000	469,711
2008	140,000	53,538	1,130,000	413,060
2009	145,000	46,048	1,190,000	352,298
2010-2014	670,000	96,900	4,560,000	900,141
2015-2019	0	0	1,510,000	79,560
Total	\$1,550,000	\$420,386	\$11,465,000	\$3,309,374

Years	OWDA Loans		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	\$1,084,924	\$854,791	\$2,399,924	\$1,523,522
2006	1,129,724	809,991	2,279,724	1,399,402
2007	1,176,509	763,207	2,381,509	1,293,280
2008	1,225,374	714,342	2,495,374	1,180,940
2009	1,276,417	663,299	2,611,417	1,061,645
2010-2014	6,492,987	2,520,113	11,722,987	3,517,154
2015-2019	7,529,804	1,189,521	9,039,804	1,269,081
2020-2024	1,304,285	58,130	1,304,285	58,130
Total	\$21,220,024	\$7,573,394	\$34,235,024	\$11,303,154

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 is as follows:

Enterprise Funds	
Water Works	\$3,535,458
Water Pollution Control	<u>3,769,290</u>
Total	<u><u>\$7,304,748</u></u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

Note 11 - Capital Leases

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.

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	\$1,060,007	\$176,373
 Less Accumulated Depreciation:		
Machinery and Equipment	(216,320)	(26,709)
 <i>Capital Assets, Net</i>	\$843,687	\$149,664

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, 2004:

Year Ending December 31,	Governmental Activities	Business-type Activities
2005	\$199,854	\$19,812
2006	133,893	125,498
2007	133,894	0
Total Minimum Lease Payments	467,641	145,310
Less: Amount Representing Interest	(41,998)	(12,915)
Present Value of Minimum Lease Payments	\$425,643	\$132,395

Note 12 - 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 a 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.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

Note 13 - Defined Benefit Pension Plans

A. Ohio Public Employee Retirement System

The City of Lorain participates in the Ohio Public 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.

OPERS provides basic 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 which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003 and 2002, were \$2,083,565, \$2,067,075, and \$2,057,157, respectively; 74.13 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$13,932 made by the City and \$8,740 made by the plan members.

B. Ohio Police and Fire Pension Fund

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 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. The 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.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$999,216 and \$1,111,885 for the year ended December 31, 2004, \$1,000,756 and \$1,069,395 for the year ended December 31, 2003 and \$1,022,082 and \$1,021,414 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. 73.76 percent and 73.17 percent, respectively, have been contributed for 2004, with the remainder being presented as a liability.

Note 14 - Post Employment Benefits

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.0 percent was the portion that was used to fund health care.

Benefits are advanced-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number active contributing participants in the traditional and combined plans were 369,885. Actual employer contributions for 2004, which were used to fund postemployment benefits, were \$615,180. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24.0 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$397,087 for police and \$359,028 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2003, (the latest information available) were \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 15 – Contractual Commitments

As of December 31, 2004, the open construction contracts for the water department and water pollution control department were \$433,112 and \$990,115 respectively.

For waterline replacement, there is an open construction contract with Fabrizi Trucking and Paving Company Inc. in the amount of \$21,523. Open contracts for relief sewer and retention basin construction for the water pollution control fund includes \$381,527 for Mossor Construction Inc., \$70,990 for Mark Schaffer Excavating and Trucking Inc. and \$473,691 for Bay Mechanical.

The City also had open construction contracts with Fabrizi Trucking and Paving Company Inc. for the Cooper Foster Park West road widening project and the Riverfront Urban Renewal project in the amount of \$96,054 and \$75,454 respectively. The total open construction contracts for the Riverfront Urban Renewal project and the Police Station Expansion project totaled \$162,400 and \$1,209,127 respectively at the end of 2004.

Note 16 – 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, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

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 2004, the City contributed \$15,653 to the agency.

Note 17 - 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.

Note 18 - 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 legal research, indigent drivers, municipal court security and municipal court improvement funds transferred monies to the general fund to enable the City to pursue grant money for the benefit of persons in the court district by providing necessary matching funds.

The capital improvements and riverfront urban renewal funds transferred monies to the community development fund to cover the costs of indirect expenditures associated with capital project improvements.

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

The general fund and the riverfront urban renewal fund transferred monies to the capital improvement fund to cover the City's portion of the capital project costs.

Transfers made during the year ended December 31, 2004 were as follows:

City of Lorain, Ohio
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For The Year Ended December 31, 2004

Transfer To	Transfer From			Totals	
	<i>Governmental Activities</i>				
	General	Capital Improvements	Nonmajor		
<i>Governmental Activities</i>					
Community Development					
Block Grant	\$0	\$85,000	\$50,000	\$135,000	
G.O. Bond Retirement	637,675	0	289,196	926,871	
Capital Improvements	0	0	145,565	145,565	
Nonmajor Funds	645,783	0	0	645,783	
Total	\$1,283,458	\$85,000	\$484,761	\$1,853,219	

B. Balances

The interfund balances as of December 31, 2004 represent eliminating negative cash, unallocated municipal court fines, utility and petroleum costs.

Interfund Payable	Interfund Receivable						Total	
	Governmental Activities				Business-Type Activities	Governmental Activities- Internal Service		
	General	Obligation Retirement	Bond	Capital Improvements	Nonmajor	Water Pollution Control		Garage
Governmental Activities								
General	\$0	\$0	\$2,340,819	\$18,344	\$3,106	\$25,202	\$2,387,471	
Community Development								
Block Grant	0	0	0	0	0	514	514	
Capital Improvements	5,564	0	0	0	0	0	5,564	
Nonmajor	3,733	0	245,242	0	0	57,393	306,368	
<i>Total Governmental Activities</i>	<u>9,297</u>	<u>0</u>	<u>2,586,061</u>	<u>18,344</u>	<u>3,106</u>	<u>83,109</u>	<u>2,699,917</u>	
Business-Type Activities								
Water Works	0	21,831	0	0	0	8,084	29,915	
Water Pollution Control	0	0	0	0	0	6,422	6,422	
<i>Total Business-Type Activities</i>	<u>0</u>	<u>21,831</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,506</u>	<u>36,337</u>	
Internal Service								
Garage	94,707						94,707	
Total	<u>\$104,004</u>	<u>\$21,831</u>	<u>\$2,586,061</u>	<u>\$18,344</u>	<u>\$3,106</u>	<u>\$97,615</u>	<u>\$2,830,961</u>	

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2004

Note 19 - 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.

Note 20 – Subsequent Events

On March 16, 2005, the City refinanced the \$4,000,000 in bond anticipation notes in the amount of \$4,750,000. The new bond anticipation notes have an interest rate of 4.00 percent.

In February 2005, the City placed a temporary additional 1/4 percent income tax levy for a five-year period for the purpose of maintaining City services. The tax levy was approved by the electorate by a vote of 5,405 in favor of the levy to 2,449 against. The tax levy is estimated to generate \$1.8 million for the City in 2005 and \$2.1 million in years thereafter.

**Combining Statements
and Individual Fund Schedules**

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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.

(continued)

Fund Descriptions - Nonmajor Governmental Funds (continued)

Nonmajor Special Revenue Funds (continued)

Cemetery Fund

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

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.

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.

Riverfront Urban Renewal Fund

This fund accounts for monies received from the sale of bonds 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, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,614,822	\$0	\$2,973,165	\$5,587,987
Materials and Supplies Inventory	171,202	0	0	171,202
Interfund Receivable	14,490	0	3,854	18,344
Intergovernmental Receivable	998,576	0	0	998,576
Prepaid Items	4,572	0	0	4,572
Municipal Income Taxes Receivable	365,334	0	0	365,334
Property and Other Taxes Receivable	589,950	0	0	589,950
Special Assessment Receivable	0	742,140	0	742,140
<i>Total Assets</i>	<u>\$4,758,946</u>	<u>\$742,140</u>	<u>\$2,977,019</u>	<u>\$8,478,105</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$118,655	\$0	\$8,413	\$127,068
Contracts Payable	1,588	0	0	1,588
Accrued Wages and Benefits	55,084	0	0	55,084
Interfund Payable	302,636	0	3,732	306,368
Intergovernmental Payable	185,396	0	1,072	186,468
Matured Compensated Absences Payable	34,164	0	0	34,164
Deferred Revenue	1,293,490	742,140	0	2,035,630
<i>Total Liabilities</i>	<u>1,991,013</u>	<u>742,140</u>	<u>13,217</u>	<u>2,746,370</u>
Fund Balances				
Reserved for Encumbrances	150,368	0	224,944	375,312
Unreserved, Undesignated				
Special Revenue Funds	2,617,565	0	0	2,617,565
Capital Projects Funds	0	0	2,738,858	2,738,858
<i>Total Fund Balances</i>	<u>2,767,933</u>	<u>0</u>	<u>2,963,802</u>	<u>5,731,735</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,758,946</u>	<u>\$742,140</u>	<u>\$2,977,019</u>	<u>\$8,478,105</u>

City of Lorain, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property and Other Taxes	\$520,842	\$0	\$0	\$520,842
Municipal Income Taxes	2,502,330	0	0	2,502,330
Charges for Services	430,990	0	412,486	843,476
Licenses and Permits	207,952	0	0	207,952
Fines and Forfeitures	410,705	0	69,755	480,460
Intergovernmental	2,950,330	0	500,000	3,450,330
Special Assessments	0	122,704	0	122,704
Interest	5,206	42,604	27,276	75,086
Miscellaneous	26,830	0	1,325	28,155
<i>Total Revenues</i>	<u>7,055,185</u>	<u>165,308</u>	<u>1,010,842</u>	<u>8,231,335</u>
Expenditures				
Current:				
General Government	275,760	8,233	0	283,993
Security of Persons and Property	2,352,486	0	0	2,352,486
Transportation	2,261,567	0	0	2,261,567
Public Health	1,566,479	0	0	1,566,479
Community Environment	149,767	0	0	149,767
Capital Outlay	0	0	779,474	779,474
Debt Service:				
Principal Retirement	360,395	122,704	0	483,099
Interest and Fiscal Charges	272,438	55,395	0	327,833
<i>Total Expenditures</i>	<u>7,238,892</u>	<u>186,332</u>	<u>779,474</u>	<u>8,204,698</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(183,707)</u>	<u>(21,024)</u>	<u>231,368</u>	<u>26,637</u>
Other Financing Sources (Uses)				
Transfers In	624,511	21,272	0	645,783
Transfers Out	(111,750)	0	(373,011)	(484,761)
<i>Total Other Financing Sources (Uses)</i>	<u>512,761</u>	<u>21,272</u>	<u>(373,011)</u>	<u>161,022</u>
<i>Net Change in Fund Balances</i>	329,054	248	(141,643)	187,659
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>2,438,879</u>	<u>(248)</u>	<u>3,105,445</u>	<u>5,544,076</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,767,933</u></u>	<u><u>\$0</u></u>	<u><u>\$2,963,802</u></u>	<u><u>\$5,731,735</u></u>

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004

	Streets	Permissive License	Health Services	Litter Control	Police Levy
Assets					
Equity in Pooled Cash and Cash Equivalents	\$36,091	\$59,879	\$9,271	\$519	\$943,124
Materials and Supplies Inventory	120,194	0	9,393	0	41,615
Interfund Receivable	0	0	0	0	0
Intergovernmental Receivable	850,862	19,805	100,309	0	0
Prepaid Items	849	0	2,799	0	924
Municipal Income Taxes Receivable	0	0	0	0	365,334
Property and Other Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$1,007,996</u>	<u>\$79,684</u>	<u>\$121,772</u>	<u>\$519</u>	<u>\$1,350,997</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$85,931	\$14,310	\$1,474	\$0	\$15,414
Contracts Payable	0	1,588	0	0	0
Accrued Wages and Benefits	22,055	0	18,503	0	13,122
Interfund Payable	52,527	0	165	0	4,702
Intergovernmental Payable	62,127	0	64,897	0	51,034
Matured Compensated Absences Payable	34,164	0	0	0	0
Deferred Revenue	535,781	0	90,809	0	49,350
<i>Total Liabilities</i>	<u>792,585</u>	<u>15,898</u>	<u>175,848</u>	<u>0</u>	<u>133,622</u>
Fund Balances					
Reserved for Encumbrances	5,114	32,258	4,202	0	96,557
Unreserved, Undesignated (Deficit)	210,297	31,528	(58,278)	519	1,120,818
<i>Total Fund Balances (Deficit)</i>	<u>215,411</u>	<u>63,786</u>	<u>(54,076)</u>	<u>519</u>	<u>1,217,375</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,007,996</u>	<u>\$79,684</u>	<u>\$121,772</u>	<u>\$519</u>	<u>\$1,350,997</u>

(continued)

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2004

	Mandatory Drug	Police Pension	Fire Pension	Indigent Drivers	Park Land
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$14,856	\$0	\$0	\$151,963	\$113,584
Materials and Supplies Inventory	0	0	0	0	0
Interfund Receivable	0	0	0	394	0
Intergovernmental Receivable	0	13,800	13,800	0	0
Prepaid Items	0	0	0	0	0
Municipal Income Taxes Receivable	0	0	0	0	0
Property and Other Taxes Receivable	0	294,975	294,975	0	0
<i>Total Assets</i>	<u>\$14,856</u>	<u>\$308,775</u>	<u>\$308,775</u>	<u>\$152,357</u>	<u>\$113,584</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Contracts Payable	0	0	0	0	0
Accrued Wages and Benefits	0	0	0	0	0
Interfund Payable	0	113,579	131,663	0	0
Intergovernmental Payable	0	0	0	0	0
Matured Compensated Absences Payable	0	0	0	0	0
Deferred Revenue	0	308,775	308,775	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>422,354</u>	<u>440,438</u>	<u>0</u>	<u>0</u>
Fund Balances					
Reserved for Encumbrances	0	0	0	350	0
Unreserved, Undesignated (Deficit)	14,856	(113,579)	(131,663)	152,007	113,584
<i>Total Fund Balances (Deficit)</i>	<u>14,856</u>	<u>(113,579)</u>	<u>(131,663)</u>	<u>152,357</u>	<u>113,584</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$14,856</u>	<u>\$308,775</u>	<u>\$308,775</u>	<u>\$152,357</u>	<u>\$113,584</u>

<u>Cemetery</u>	<u>Law Enforcement</u>	<u>Municipal Court Computer</u>	<u>Legal Research</u>	<u>Municipal Court Security</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$73,276	\$644,543	\$370,060	\$90,948	\$106,708	\$2,614,822
0	0	0	0	0	171,202
0	0	8,507	2,560	3,029	14,490
0	0	0	0	0	998,576
0	0	0	0	0	4,572
0	0	0	0	0	365,334
0	0	0	0	0	589,950
<u>\$73,276</u>	<u>\$644,543</u>	<u>\$378,567</u>	<u>\$93,508</u>	<u>\$109,737</u>	<u>\$4,758,946</u>
\$0	\$0	\$1,526	\$0	\$0	\$118,655
0	0	0	0	0	1,588
0	0	798	606	0	55,084
0	0	0	0	0	302,636
0	0	2,880	2,329	2,129	185,396
0	0	0	0	0	34,164
0	0	0	0	0	1,293,490
<u>0</u>	<u>0</u>	<u>5,204</u>	<u>2,935</u>	<u>2,129</u>	<u>1,991,013</u>
0	0	8,887	3,000	0	150,368
<u>73,276</u>	<u>644,543</u>	<u>364,476</u>	<u>87,573</u>	<u>107,608</u>	<u>2,617,565</u>
<u>73,276</u>	<u>644,543</u>	<u>373,363</u>	<u>90,573</u>	<u>107,608</u>	<u>2,767,933</u>
<u>\$73,276</u>	<u>\$644,543</u>	<u>\$378,567</u>	<u>\$93,508</u>	<u>\$109,737</u>	<u>\$4,758,946</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, 2004

	Streets	Permissive License	Health Services	Litter Control	Police Levy
Revenues					
Property and Other Taxes	\$0	\$0	\$0	\$0	\$0
Municipal Income Taxes	0	0	0	0	2,502,330
Charges for Services	0	0	430,990	0	0
Licenses and Permits	0	0	207,952	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	2,017,529	267,896	450,057	140,000	0
Interest	0	0	0	0	5,206
Miscellaneous	0	0	0	0	0
<i>Total Revenues</i>	<u>2,017,529</u>	<u>267,896</u>	<u>1,088,999</u>	<u>140,000</u>	<u>2,507,536</u>
Expenditures					
Current:					
General Government	0	0	0	0	0
Security of Persons and Property	0	0	0	0	1,903,850
Transportation	2,043,155	218,412	0	0	0
Public Health	0	0	1,566,479	0	0
Community Environment	0	0	0	149,767	0
Debt Service:					
Principal Retirement	107,788	0	0	0	202,607
Interest and Fiscal Charges	26,105	0	0	0	150,447
<i>Total Expenditures</i>	<u>2,177,048</u>	<u>218,412</u>	<u>1,566,479</u>	<u>149,767</u>	<u>2,256,904</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(159,519)</u>	<u>49,484</u>	<u>(477,480)</u>	<u>(9,767)</u>	<u>250,632</u>
Other Financing Sources (Uses)					
Transfers In	157,064	0	467,447	0	0
Transfers Out	0	(111,750)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>157,064</u>	<u>(111,750)</u>	<u>467,447</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(2,455)	(62,266)	(10,033)	(9,767)	250,632
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>217,866</u>	<u>126,052</u>	<u>(44,043)</u>	<u>10,286</u>	<u>966,743</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$215,411</u></u>	<u><u>\$63,786</u></u>	<u><u>(\$54,076)</u></u>	<u><u>\$519</u></u>	<u><u>\$1,217,375</u></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>
\$0	\$260,421	\$260,421	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
30,434	0	0	14,473	0	0	135,922
0	37,424	37,424	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	26,830	0	0
<u>30,434</u>	<u>297,845</u>	<u>297,845</u>	<u>14,473</u>	<u>26,830</u>	<u>0</u>	<u>135,922</u>
0	0	0	550	0	0	0
29,384	171,333	73,814	0	0	0	174,105
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	17,500	32,500	0	0	0	0
0	33,560	62,326	0	0	0	0
<u>29,384</u>	<u>222,393</u>	<u>168,640</u>	<u>550</u>	<u>0</u>	<u>0</u>	<u>174,105</u>
<u>1,050</u>	<u>75,452</u>	<u>129,205</u>	<u>13,923</u>	<u>26,830</u>	<u>0</u>	<u>(38,183)</u>
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>1,050</u>	<u>75,452</u>	<u>129,205</u>	<u>13,923</u>	<u>26,830</u>	<u>0</u>	<u>(38,183)</u>
<u>13,806</u>	<u>(189,031)</u>	<u>(260,868)</u>	<u>138,434</u>	<u>86,754</u>	<u>73,276</u>	<u>682,726</u>
<u>\$14,856</u>	<u>(\$113,579)</u>	<u>(\$131,663)</u>	<u>\$152,357</u>	<u>\$113,584</u>	<u>\$73,276</u>	<u>\$644,543</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, 2004

	Municipal Court Computer	Legal Research	Municipal Court Security	Total Nonmajor Special Revenue Funds
Revenues				
Property and Other Taxes	\$0	\$0	\$0	\$520,842
Municipal Income Taxes	0	0	0	2,502,330
Charges for Services	0	0	0	430,990
Licenses and Permits	0	0	0	207,952
Fines and Forfeitures	137,987	42,100	49,789	410,705
Intergovernmental	0	0	0	2,950,330
Interest	0	0	0	5,206
Miscellaneous	0	0	0	26,830
<i>Total Revenues</i>	<u>137,987</u>	<u>42,100</u>	<u>49,789</u>	<u>7,055,185</u>
Expenditures				
Current:				
General Government	160,032	50,403	64,775	275,760
Security of Persons and Property	0	0	0	2,352,486
Transportation	0	0	0	2,261,567
Public Health	0	0	0	1,566,479
Community Environment	0	0	0	149,767
Debt Service:				
Principal Retirement	0	0	0	360,395
Interest and Fiscal Charges	0	0	0	272,438
<i>Total Expenditures</i>	<u>160,032</u>	<u>50,403</u>	<u>64,775</u>	<u>7,238,892</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(22,045)</u>	<u>(8,303)</u>	<u>(14,986)</u>	<u>(183,707)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	624,511
Transfers Out	0	0	0	(111,750)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>512,761</u>
<i>Net Change in Fund Balances</i>	(22,045)	(8,303)	(14,986)	329,054
<i>Fund Balances (Deficit)</i>				
<i>Beginning of Year</i>	<u>395,408</u>	<u>98,876</u>	<u>122,594</u>	<u>2,438,879</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$373,363</u></u>	<u><u>\$90,573</u></u>	<u><u>\$107,608</u></u>	<u><u>\$2,767,933</u></u>

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004

	General Sewer	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$359,065	\$2,462,187	\$151,913	\$2,973,165
Interfund Receivable	71	0	3,783	3,854
<i>Total Assets</i>	<u>\$359,136</u>	<u>\$2,462,187</u>	<u>\$155,696</u>	<u>\$2,977,019</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$498	\$0	\$7,915	\$8,413
Interfund Payable	0	3,732	0	3,732
Intergovernmental Payable	0	0	1,072	1,072
<i>Total Liabilities</i>	<u>498</u>	<u>3,732</u>	<u>8,987</u>	<u>13,217</u>
Fund Balances				
Reserved for Encumbrances	12,120	201,478	11,346	224,944
Unreserved, Undesignated	346,518	2,256,977	135,363	2,738,858
<i>Total Fund Balances</i>	<u>358,638</u>	<u>2,458,455</u>	<u>146,709</u>	<u>2,963,802</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$359,136</u>	<u>\$2,462,187</u>	<u>\$155,696</u>	<u>\$2,977,019</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, 2004

	General Sewer	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
Revenues				
Charges for Services	\$412,486	\$0	\$0	\$412,486
Fines and Forfeitures	0	0	69,755	69,755
Intergovernmental	0	500,000	0	500,000
Interest	0	26,851	425	27,276
Miscellaneous	0	1,325	0	1,325
<i>Total Revenues</i>	412,486	528,176	70,180	1,010,842
Expenditures				
Capital Outlay	193,444	500,104	85,926	779,474
<i>Excess of Revenues Over (Under) Expenditures</i>	219,042	28,072	(15,746)	231,368
Other Financing Uses				
Transfers Out	(33,815)	(339,196)	0	(373,011)
<i>Net Change in Fund Balances</i>	185,227	(311,124)	(15,746)	(141,643)
<i>Fund Balances Beginning of Year</i>	173,411	2,769,579	162,455	3,105,445
<i>Fund Balances End of Year</i>	\$358,638	\$2,458,455	\$146,709	\$2,963,802

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, 2004

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$31,318	\$71,176	\$102,494
Materials and Supplies Inventory	80,155	0	80,155
Interfund Receivable	97,615	0	97,615
Depreciable Capital Assets, Net	<u>10,629</u>	<u>0</u>	<u>10,629</u>
<i>Total Assets</i>	<u>219,717</u>	<u>71,176</u>	<u>290,893</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	61,641	0	61,641
Accrued Wages and Benefits	8,503	288	8,791
Intergovernmental Payable	26,080	1,023	27,103
Matured Compensated Absences Payable	1,276	0	1,276
Interfund Payable	94,707	0	94,707
Claims Payable	0	327,966	327,966
Compensated Absences Payable	<u>30,163</u>	<u>0</u>	<u>30,163</u>
<i>Total Current Liabilities</i>	222,370	329,277	551,647
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	<u>100,004</u>	<u>4,368</u>	<u>104,372</u>
<i>Total Liabilities</i>	<u>322,374</u>	<u>333,645</u>	<u>656,019</u>
Net Assets			
Unrestricted (Deficit)	<u>(\$102,657)</u>	<u>(\$262,469)</u>	<u>(\$365,126)</u>

City of Lorain, Ohio
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2004

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
Operating Revenues			
Charges for Services	\$1,038,295	\$4,166,098	\$5,204,393
Miscellaneous	0	11,827	11,827
<i>Total Operating Revenues</i>	<u>1,038,295</u>	<u>4,177,925</u>	<u>5,216,220</u>
Operating Expenses			
Personal Services	489,576	20,395	509,971
Materials and Supplies	657,385	0	657,385
Contractual Services	1,459	0	1,459
Claims	0	4,141,851	4,141,851
Other Operating Expenses	1,750	441	2,191
Depreciation	366	0	366
<i>Total Operating Expenses</i>	<u>1,150,536</u>	<u>4,162,687</u>	<u>5,313,223</u>
<i>Change in Net Assets</i>	(112,241)	15,238	(97,003)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>9,584</u>	<u>(277,707)</u>	<u>(268,123)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$102,657)</u></u>	<u><u>(\$262,469)</u></u>	<u><u>(\$365,126)</u></u>

City of Lorain, Ohio
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2004

	Garage	Hospitalization	Totals
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Transactions with Other Funds	\$966,682	\$4,166,098	\$5,132,780
Cash Payments for Goods and Services	(612,007)	(48,264)	(660,271)
Cash Payments for Employee Services and Benefits	(451,618)	(20,086)	(471,704)
Cash Payments for Claims	0	(4,314,043)	(4,314,043)
Other Operating Revenues	0	11,827	11,827
Other Cash Payments	0	(441)	(441)
<i>Net Cash Used for Operating Activities</i>	<i>(96,943)</i>	<i>(204,909)</i>	<i>(301,852)</i>
Cash Flows from Noncapital Financing Activities			
Advances In	94,707	0	94,707
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(10,995)	0	(10,995)
Net Decrease in Cash and Cash Equivalents	(13,231)	(204,909)	(218,140)
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>44,549</i>	<i>276,085</i>	<i>320,634</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$31,318</i>	<i>\$71,176</i>	<i>\$102,494</i>

(continued)

City of Lorain, Ohio
Combining Statement of Cash Flows
Internal Service Funds (continued)
For the Year Ended December 31, 2004

	Garage	Hospitalization	Totals
Reconciliation of Operating Income (Loss) to Net Cash Used For Operating Activities			
Operating Income (Loss)	(\$112,241)	\$15,238	(\$97,003)
<i>Adjustments:</i>			
Depreciation	366	0	366
<i>(Increase) Decrease in Assets:</i>			
Interfund Receivable	(71,613)	0	(71,613)
Materials and Supplies Inventory	7,728	0	7,728
Prepaid Items	31	0	31
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	42,217	(48,264)	(6,047)
Accrued Wages and Benefits	4,469	121	4,590
Claims Payable	0	(172,192)	(172,192)
Matured Compensated Absences Payable	1,276	0	1,276
Compensated Absences Payable	28,943	161	29,104
Intergovernmental Payable	1,881	27	1,908
<i>Total Adjustments</i>	15,298	(220,147)	(204,849)
<i>Net Cash Used for Operating Activities</i>	(\$96,943)	(\$204,909)	(\$301,852)

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, 2004

	Beginning Balance 12/31/03	Additions	Deductions	Ending Balance 12/31/04
<i>Street Excavation</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$11,760	\$0	\$0	\$11,760
Liabilities				
Deposits Held and Due to Others	\$11,760	\$0	\$0	\$11,760
 <i>Allotment Improvement</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$140,419	\$162,726	\$52,000	\$251,145
Liabilities				
Deposits Held and Due to Others	\$140,419	\$162,726	\$52,000	\$251,145
 <i>Deposits Held</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$107,972	\$206,426	\$76,854	\$237,544
Liabilities				
Deposits Held and Due to Others	\$107,972	\$206,426	\$76,854	\$237,544
 <i>Contracts Trust</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,524	\$3,930	\$1,002	\$6,452
Liabilities				
Deposits Held and Due to Others	\$3,524	\$3,930	\$1,002	\$6,452
 <i>Vital Statistics</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$16,832	\$86,069	\$86,696	\$16,205
Liabilities				
Deposits Held and Due to Others	\$16,832	\$86,069	\$86,696	\$16,205

City of Lorain, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds (continued)
For the Year Ended December 31, 2004

	Beginning Balance 12/31/03	Additions	Deductions	Ending Balance 12/31/04
<i>Flexible Spending</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$22,470	\$76,618	\$73,331	\$25,757
Liabilities				
Deposits Held and Due to Others	\$22,470	\$76,618	\$73,331	\$25,757
<i>County User Fee</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,940	\$53,533	\$54,561	\$2,912
Liabilities				
Deposits Held and Due to Others	\$3,940	\$53,533	\$54,561	\$2,912
<i>State Highway Patrol</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$17,130	\$12,890	\$4,240
Liabilities				
Deposits Held and Due to Others	\$0	\$17,130	\$12,890	\$4,240
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$306,917	\$606,432	\$357,334	\$556,015
Liabilities				
Deposits Held and Due to Others	\$306,917	\$606,432	\$357,334	\$556,015

**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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property and Other Taxes	\$2,841,722	\$2,841,722	\$2,810,224	(\$31,498)
Municipal Income Taxes	14,625,326	14,618,660	14,790,652	171,992
Charges for Services	550,600	550,600	468,440	(82,160)
Licenses and Permits	902,850	902,850	1,052,330	149,480
Fines and Forfeitures	1,065,000	1,080,425	1,061,317	(19,108)
Intergovernmental	5,412,443	5,416,693	5,360,759	(55,934)
Interest	1,000	1,000	28,779	27,779
Miscellaneous	80,550	83,214	112,376	29,162
<i>Total Revenues</i>	<u>25,479,491</u>	<u>25,495,164</u>	<u>25,684,877</u>	<u>189,713</u>
Expenditures:				
Current:				
General Government				
Civil Service:				
Wages and Benefits	0	79,509	79,473	36
Contractual Services	7,000	9,141	9,031	110
Materials and Supplies	1,492	1,357	1,357	0
Other	5,500	3,494	3,415	79
<i>Total Civil Service</i>	<u>13,992</u>	<u>93,501</u>	<u>93,276</u>	<u>225</u>
Council:				
Wages and Benefits	253,785	257,656	257,860	(204)
Contractual Services	18,106	15,871	15,870	1
Materials and Supplies	1,060	727	726	1
Other	7,846	9,043	8,840	203
<i>Total Council</i>	<u>280,797</u>	<u>283,297</u>	<u>283,296</u>	<u>1</u>
Mayor:				
Wages and Benefits	156,316	161,736	161,612	124
Contractual Services	5,700	5,300	5,170	130
Materials and Supplies	0	2,540	2,490	50
Other	100	100	41	59
<i>Total Mayor</i>	<u>162,116</u>	<u>169,676</u>	<u>169,313</u>	<u>363</u>
Auditor:				
Wages and Benefits	437,977	432,197	430,350	1,847
Contractual Services	74,130	74,130	73,994	136
Materials and Supplies	28,633	25,218	24,838	380
Other	450	450	413	37
<i>Total Auditor</i>	<u>\$541,190</u>	<u>\$531,995</u>	<u>\$529,595</u>	<u>\$2,400</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Treasurer:				
Wages and Benefits	\$455,735	\$431,613	\$429,211	\$2,402
Contractual Services	11,531	10,531	10,189	342
Materials and Supplies	34,203	29,203	27,755	1,448
Capital Outlay	30,000	30,000	30,000	0
Other	8,404	8,404	2,773	5,631
<i>Total Treasurer</i>	<u>539,873</u>	<u>509,751</u>	<u>499,928</u>	<u>9,823</u>
Law Director:				
Wages and Benefits	683,734	684,734	683,802	932
Contractual Services	8,064	7,873	7,873	0
Materials and Supplies	17,989	19,989	19,574	415
Capital Outlay	1,400	1,200	1,200	0
Other	1,900	4,891	4,830	61
<i>Total Law Director</i>	<u>713,087</u>	<u>718,687</u>	<u>717,279</u>	<u>1,408</u>
Judges:				
Wages and Benefits	663,058	651,032	649,870	1,162
Contractual Services	16,031	20,628	20,499	129
Materials and Supplies	8,256	8,756	7,875	881
Capital Outlay	0	20,000	383	19,617
Other	8,094	6,694	5,112	1,582
<i>Total Judges</i>	<u>695,439</u>	<u>707,110</u>	<u>683,739</u>	<u>23,371</u>
Clerk of Courts:				
Wages and Benefits	662,078	673,078	672,224	854
Contractual Services	17,553	17,011	16,879	132
Materials and Supplies	51,014	62,564	62,369	195
Other	0	3,500	3,500	0
<i>Total Clerk of Courts</i>	<u>730,645</u>	<u>756,153</u>	<u>754,972</u>	<u>1,181</u>
Electrical:				
Wages and Benefits	486,170	483,015	483,015	0
Contractual Services	61,400	67,300	64,458	2,842
Materials and Supplies	45,263	34,807	27,134	7,673
Other	1,450	1,594	1,543	51
<i>Total Electrical</i>	<u>\$594,283</u>	<u>\$586,716</u>	<u>\$576,150</u>	<u>\$10,566</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Safety/Service:				
Wages and Benefits	\$499,941	\$498,941	\$498,622	\$319
Contractual Services	461,081	466,293	1,049,470	(583,177)
Materials and Supplies	66,328	61,674	57,443	4,231
Other	145,200	188,555	218,613	(30,058)
<i>Total Safety/Service</i>	<u>1,172,550</u>	<u>1,215,463</u>	<u>1,824,148</u>	<u>(608,685)</u>
Engineering:				
Wages and Benefits	658,623	688,623	688,179	444
Contractual Services	7,862	4,862	4,604	258
Materials and Supplies	23,933	25,933	24,530	1,403
Other	2,500	1,000	770	230
<i>Total Engineering</i>	<u>692,918</u>	<u>720,418</u>	<u>718,083</u>	<u>2,335</u>
Data Processing:				
Wages and Benefits	134,701	134,141	134,809	(668)
Contractual Services	163,845	171,359	170,856	503
Materials and Supplies	29,828	26,978	26,057	921
Capital Outlay	42,500	42,500	42,485	15
Other	1,301	901	820	81
<i>Total Data Processing</i>	<u>372,175</u>	<u>375,879</u>	<u>375,027</u>	<u>852</u>
<i>Total General Government</i>	<u>6,509,065</u>	<u>6,668,646</u>	<u>7,224,806</u>	<u>(556,160)</u>
Security of Persons and Property				
Police Department:				
Wages and Benefits	6,976,910	6,943,054	7,828,311	(885,257)
Contractual Services	282,414	292,846	290,563	2,283
Materials and Supplies	302,700	313,686	301,121	12,565
Other	124	124	124	0
<i>Total Police Department</i>	<u>7,562,148</u>	<u>7,549,710</u>	<u>8,420,119</u>	<u>(870,409)</u>
Fire Department				
Wages and Benefits	6,151,408	6,118,014	7,022,524	(904,510)
Contractual Services	354,812	351,937	348,031	3,906
Materials and Supplies	147,881	144,006	137,495	6,511
Other	22,623	22,623	21,777	846
<i>Total Fire Department</i>	<u>6,676,724</u>	<u>6,636,580</u>	<u>7,529,827</u>	<u>(893,247)</u>
<i>Total Security of Persons and Property</i>	<u>\$14,238,872</u>	<u>\$14,186,290</u>	<u>\$15,949,946</u>	<u>(\$1,763,656)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Public Health Services				
Cemetery:				
Wages and Benefits	\$181,523	\$202,173	\$201,109	\$1,064
Contractual Services	9,475	11,075	10,657	418
Materials and Supplies	29,564	35,564	27,217	8,347
<i>Total Cemetery</i>	<u>220,562</u>	<u>248,812</u>	<u>238,983</u>	<u>9,829</u>
Dog Warden:				
Wages and Benefits	55,970	55,620	55,539	81
Materials and Supplies	5,204	4,554	3,914	640
Other	100	0	0	0
<i>Total Dog Warden</i>	<u>61,274</u>	<u>60,174</u>	<u>59,453</u>	<u>721</u>
<i>Total Public Health Services</i>	<u>281,836</u>	<u>308,986</u>	<u>298,436</u>	<u>10,550</u>
Community Environment				
Building Inspection:				
Wages and Benefits	525,738	526,438	525,600	838
Contractual Services	8,786	7,436	6,795	641
Materials and Supplies	9,270	15,698	14,874	824
Other	2,550	2,550	1,997	553
<i>Total Community Environment</i>	<u>546,344</u>	<u>552,122</u>	<u>549,266</u>	<u>2,856</u>
Leisure Time Activities				
Parks Department:				
Wages and Benefits	770,316	799,839	799,748	91
Contractual Services	96,500	73,500	68,512	4,988
Materials and Supplies	180,030	125,119	121,576	3,543
Capital Outlay	5,000	0	0	0
Other	4,525	4,525	3,975	550
<i>Total Leisure Time Activities</i>	<u>1,056,371</u>	<u>1,002,983</u>	<u>993,811</u>	<u>9,172</u>
Debt Service:				
Principal Retirement	19,142	19,142	19,142	0
Interest and Fiscal Charges	515	515	515	0
<i>Total Debt Service</i>	<u>19,657</u>	<u>19,657</u>	<u>19,657</u>	<u>0</u>
<i>Total Expenditures</i>	<u>\$22,652,145</u>	<u>\$22,738,684</u>	<u>\$25,035,922</u>	<u>(\$2,297,238)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over Expenditures</i>	<u>\$2,827,346</u>	<u>\$2,756,480</u>	<u>\$648,955</u>	<u>(\$2,107,525)</u>
Other Financing Sources (Uses):				
Advances In	0	1,886,752	1,886,792	40
Advances Out	0	(1,886,752)	(1,996,816)	(110,064)
Transfers Out	<u>(483,589)</u>	<u>(489,302)</u>	<u>(1,283,458)</u>	<u>(794,156)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(483,589)</u>	<u>(489,302)</u>	<u>(1,393,482)</u>	<u>(904,180)</u>
<i>Net Change in Fund Balance</i>	2,343,757	2,267,178	(744,527)	(3,011,705)
<i>Fund Balance (Deficit) Beginning of Year</i>	(2,147,227)	(2,147,227)	(2,147,227)	0
Prior Year Encumbrances Appropriated	<u>112,144</u>	<u>112,144</u>	<u>112,144</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>\$308,674</u></u>	<u><u>\$232,095</u></u>	<u><u>(\$2,779,610)</u></u>	<u><u>(\$3,011,705)</u></u>

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental	\$6,656,650	\$7,790,831	\$5,433,250	(\$2,357,581)
Interest	15,714	15,989	25,464	9,475
Miscellaneous	16,785	101,785	183,737	81,952
<i>Total Revenues</i>	<u>6,689,149</u>	<u>7,908,605</u>	<u>5,642,451</u>	<u>(2,266,154)</u>
Expenditures:				
Current:				
Economic Development				
Wages and Benefits	1,159,909	1,326,383	1,264,120	62,263
Contractual Services	2,400,846	3,549,779	2,142,849	1,406,930
Materials and Supplies	4,130	4,130	3,880	250
Capital Outlay	445,713	2,548,133	1,532,493	1,015,640
Other	2,619,161	3,297,789	2,265,901	1,031,888
<i>Total Economic Development</i>	<u>6,629,759</u>	<u>10,726,214</u>	<u>7,209,243</u>	<u>3,516,971</u>
Debt Service:				
Principal Retirement	574,593	574,868	374,052	200,816
Interest and Fiscal Charges	616,309	616,309	362,676	253,633
<i>Total Debt Service</i>	<u>1,190,902</u>	<u>1,191,177</u>	<u>736,728</u>	<u>454,449</u>
<i>Total Expenditures</i>	<u>7,820,661</u>	<u>11,917,391</u>	<u>7,945,971</u>	<u>3,971,420</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,131,512)</u>	<u>(4,008,786)</u>	<u>(2,303,520)</u>	<u>1,705,266</u>
Other Financing Sources:				
HUD Section 108 Loans Issued	0	2,200,000	2,200,000	0
Transfers In	166,000	101,255	135,000	33,745
<i>Total Other Financing Sources</i>	<u>166,000</u>	<u>2,301,255</u>	<u>2,335,000</u>	<u>33,745</u>
<i>Net Change in Fund Balance</i>	(965,512)	(1,707,531)	31,480	1,739,011
<i>Fund Balance Beginning of Year</i>	2,206,127	2,206,127	2,206,127	0
<i>Prior Year Encumbrances Appropriated</i>	396,474	396,474	396,474	0
<i>Fund Balance End of Year</i>	<u>\$1,637,089</u>	<u>\$895,070</u>	<u>\$2,634,081</u>	<u>\$1,739,011</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property and Other Taxes	\$869,790	\$870,025	\$952,574	\$82,549
Intergovernmental	116,628	133,988	133,988	0
Interest	60,000	60,000	63,252	3,252
Miscellaneous	21,063	23,043	23,043	0
<i>Total Revenues</i>	<u>1,067,481</u>	<u>1,087,056</u>	<u>1,172,857</u>	<u>85,801</u>
Expenditures:				
Current:				
General Government				
Other	20,022	25,115	24,166	949
Debt Service:				
Principal Retirement	4,797,931	4,809,773	4,809,772	1
Interest and Fiscal Charges	1,071,666	1,074,306	1,074,317	(11)
<i>Total Debt Service</i>	<u>5,869,597</u>	<u>5,884,079</u>	<u>5,884,089</u>	<u>(10)</u>
<i>Total Expenditures</i>	<u>5,889,619</u>	<u>5,909,194</u>	<u>5,908,255</u>	<u>939</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(4,822,138)</u>	<u>(4,822,138)</u>	<u>(4,735,398)</u>	<u>86,740</u>
Other Financing Sources:				
Notes Issued	3,625,000	3,625,000	3,625,000	0
Transfers In	1,013,611	1,013,611	926,871	(86,740)
<i>Total Other Financing Sources</i>	<u>4,638,611</u>	<u>4,638,611</u>	<u>4,551,871</u>	<u>(86,740)</u>
<i>Net Change in Fund Balance</i>	<u>(183,527)</u>	<u>(183,527)</u>	<u>(183,527)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	<u>367,055</u>	<u>367,055</u>	<u>367,055</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$183,528</u></u>	<u><u>\$183,528</u></u>	<u><u>\$183,528</u></u>	<u><u>\$0</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$4,933,592	\$4,933,592	\$3,996,264	(\$937,328)
Interest	4,000	4,000	2,228	(1,772)
Miscellaneous	17,421	17,421	4,817	(12,604)
<i>Total Revenues</i>	<u>4,955,013</u>	<u>4,955,013</u>	<u>4,003,309</u>	<u>(951,704)</u>
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	5,848,109	6,000,970	5,023,488	977,482
Capital Outlay	6,277,079	6,277,079	4,232,526	2,044,553
<i>Total Expenditures</i>	<u>12,125,188</u>	<u>12,278,049</u>	<u>9,256,014</u>	<u>3,022,035</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(7,170,175)</u>	<u>(7,323,036)</u>	<u>(5,252,705)</u>	<u>2,070,331</u>
Other Financing Sources (Uses):				
Notes Issued	375,000	525,000	525,000	0
OPWC Loans Issued	152,536	152,536	152,536	0
Transfers In	145,565	145,565	145,565	0
Transfers Out	(85,000)	(85,000)	(85,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>588,101</u>	<u>738,101</u>	<u>738,101</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(6,582,074)</u>	<u>(6,584,935)</u>	<u>(4,514,604)</u>	<u>2,070,331</u>
<i>Fund Balance Beginning of Year</i>	6,046,255	6,046,255	6,046,255	0
Prior Year Encumbrances Appropriated	648,754	648,754	648,754	0
<i>Fund Balance End of Year</i>	<u>\$112,935</u>	<u>\$110,074</u>	<u>\$2,180,405</u>	<u>\$2,070,331</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for Services	\$8,163,900	\$8,163,900	\$8,327,760	\$163,860
OWDA Loans Issued	400,000	400,000	482,152	82,152
Interest	55,000	55,000	6,591	(48,409)
Miscellaneous	32,800	32,800	35,806	3,006
<i>Total Revenues</i>	<u>8,651,700</u>	<u>8,651,700</u>	<u>8,852,309</u>	<u>200,609</u>
Expenses:				
Personal Services	3,907,392	3,911,892	3,728,946	182,946
Contractual Services	529,481	547,281	518,937	28,344
Materials and Supplies	641,220	633,420	526,597	106,823
Basic Utilities	593,950	593,950	573,766	20,184
Capital Outlay	739,271	742,571	742,316	255
Other Expense	192,458	205,158	175,201	29,957
Debt Service:				
Principal Retirement	1,236,820	1,236,820	1,234,630	2,190
Interest and Fiscal Charges	996,160	980,160	914,697	65,463
<i>Total Expenses</i>	<u>8,836,752</u>	<u>8,851,252</u>	<u>8,415,090</u>	<u>436,162</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(185,052)	(199,552)	437,219	636,771
<i>Fund Equity Beginning of Year</i>	1,739,125	1,739,125	1,739,125	0
Prior Year Encumbrances Appropriated	70,007	70,007	70,007	0
<i>Fund Equity End of Year</i>	<u>\$1,624,080</u>	<u>\$1,609,580</u>	<u>\$2,246,351</u>	<u>\$636,771</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$7,605,600	\$7,605,600	\$7,992,614	\$387,014
OWDA Loans Issued	4,975,000	4,975,000	3,832,401	(1,142,599)
Interest	45,500	45,500	7,512	(37,988)
Miscellaneous	21,800	21,800	25,933	4,133
<i>Total Revenues</i>	<u>12,647,900</u>	<u>12,647,900</u>	<u>11,858,460</u>	<u>(789,440)</u>
Expenses:				
Personal Services	4,465,344	4,441,344	4,436,676	4,668
Contractual Services	590,040	610,540	555,228	55,312
Materials and Supplies	437,489	499,119	377,790	121,329
Basic Utilities	779,821	816,281	694,388	121,893
Capital Outlay	5,876,032	5,883,887	5,125,006	758,881
Other Operating Expense	281,826	314,326	229,004	85,322
Debt Service:				
Principal Retirement	1,412,429	1,474,079	1,474,068	11
Interest and Fiscal Charges	836,380	887,180	887,160	20
<i>Total Expenses</i>	<u>14,679,361</u>	<u>14,926,756</u>	<u>13,779,320</u>	<u>1,147,436</u>
<i>Excess of Revenues Under Expenses</i>	(2,031,461)	(2,278,856)	(1,920,860)	357,996
Advances In	427,020	2,113,772	1,686,792	(426,980)
Advances Out	0	(1,686,792)	(1,686,792)	0
<i>Excess of Revenues and Advances Under Expenses</i>	(1,604,441)	(1,851,876)	(1,920,860)	(68,984)
<i>Fund Equity Beginning of Year</i>	2,433,945	2,433,945	2,433,945	0
Prior Year Encumbrances Appropriated	2,424,561	2,424,561	2,424,561	0
<i>Fund Equity End of Year</i>	<u>\$3,254,065</u>	<u>\$3,006,630</u>	<u>\$2,937,646</u>	<u>(\$68,984)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$2,113,500	\$2,113,500	\$1,960,525	(\$152,975)
Expenditures:				
Current:				
Transportation				
Wages and Benefits	1,297,564	1,293,564	1,261,905	31,659
Contractual Services	23,671	23,671	22,641	1,030
Materials and Supplies	721,492	738,077	709,488	28,589
Capital Outlay	6,500	6,500	5,515	985
Other	2,500	2,500	719	1,781
<i>Total Transportation</i>	<u>2,051,727</u>	<u>2,064,312</u>	<u>2,000,268</u>	<u>64,044</u>
Debt Service:				
Principal Retirement	107,789	107,789	107,788	1
Interest and Fiscal Charges	26,105	26,105	26,105	0
<i>Total Debt Service</i>	<u>133,894</u>	<u>133,894</u>	<u>133,893</u>	<u>1</u>
<i>Total Expenditures</i>	<u>2,185,621</u>	<u>2,198,206</u>	<u>2,134,161</u>	<u>64,045</u>
<i>Excess of Revenues Under Expenditures</i>	(72,121)	(84,706)	(173,636)	(88,930)
Other Financing Sources:				
Transfers In	56,860	69,445	157,064	87,619
<i>Net Change in Fund Balance</i>	(15,261)	(15,261)	(16,572)	(1,311)
<i>Fund Balance Beginning of Year</i>	1,311	1,311	1,311	0
Prior Year Encumbrances Appropriated	15,261	15,261	15,261	0
<i>Fund Balance End of Year</i>	<u>\$1,311</u>	<u>\$1,311</u>	<u>\$0</u>	<u>(\$1,311)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental	\$275,000	\$294,500	\$267,838	(\$26,662)
Expenditures:				
Current:				
Transportation				
Contractual Services	34,047	53,547	42,291	11,256
Materials and Supplies	216,723	216,723	209,617	7,106
<i>Total Expenditures</i>	<u>250,770</u>	<u>270,270</u>	<u>251,908</u>	<u>18,362</u>
<i>Excess of Revenues Over Expenditures</i>	24,230	24,230	15,930	(8,300)
Other Financing Uses:				
Transfers Out	(111,750)	(111,750)	(111,750)	0
<i>Net Change in Fund Balance</i>	(87,520)	(87,520)	(95,820)	(8,300)
<i>Fund Balance Beginning of Year</i>	51,611	51,611	51,611	0
Prior Year Encumbrances Appropriated	57,520	57,520	57,520	0
<i>Fund Balance End of Year</i>	<u>\$21,611</u>	<u>\$21,611</u>	<u>\$13,311</u>	<u>(\$8,300)</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, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Charges for Services	\$409,828	\$409,828	\$431,161	\$21,333
Licenses and Permits	210,515	210,515	207,952	(2,563)
Intergovernmental	494,076	504,439	443,723	(60,716)
<i>Total Revenues</i>	<u>1,114,419</u>	<u>1,124,782</u>	<u>1,082,836</u>	<u>(41,946)</u>
Expenditures:				
Current:				
Public Health				
Wages and Benefits	1,204,144	1,218,694	1,208,683	10,011
Contractual Services	249,108	252,108	241,773	10,335
Materials and Supplies	32,948	25,984	19,800	6,184
Capital Outlay	44,344	45,057	34,838	10,219
Other	52,925	52,225	47,551	4,674
<i>Total Expenditures</i>	<u>1,583,469</u>	<u>1,594,068</u>	<u>1,552,645</u>	<u>41,423</u>
<i>Excess of Revenues Under Expenditures</i>	(469,050)	(469,286)	(469,809)	(523)
Other Financing Sources:				
Transfers In	467,033	467,269	467,447	178
<i>Net Change in Fund Balance</i>	(2,017)	(2,017)	(2,362)	(345)
<i>Fund Balance Beginning of Year</i>	345	345	345	0
Prior Year Encumbrances Appropriated	2,017	2,017	2,017	0
<i>Fund Balance End of Year</i>	<u>\$345</u>	<u>\$345</u>	<u>\$0</u>	<u>(\$345)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental	\$140,000	\$140,000	\$140,000	\$0
Expenditures:				
Current:				
Community Environment				
Materials and Supplies	20,000	21,000	21,000	0
Capital Outlay	130,000	129,000	128,767	233
<i>Total Expenditures</i>	150,000	150,000	149,767	233
<i>Net Change in Fund Balance</i>	(10,000)	(10,000)	(9,767)	233
<i>Fund Balance Beginning of Year</i>	10,286	10,286	10,286	0
<i>Fund Balance End of Year</i>	\$286	\$286	\$519	\$233

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Taxes	\$2,362,554	\$2,362,554	\$2,437,750	\$75,196
Interest	4,000	4,000	4,344	344
Miscellaneous	13,500	13,500	646	(12,854)
<i>Total Revenues</i>	<u>2,380,054</u>	<u>2,380,054</u>	<u>2,442,740</u>	<u>62,686</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	1,502,748	1,502,748	1,244,971	257,777
Contractual Services	42,846	60,346	51,661	8,685
Materials and Supplies	159,211	159,211	131,285	27,926
Capital Outlay	595,480	742,980	492,957	250,023
Other	97,010	97,010	79,468	17,542
<i>Total Security of Persons and Property</i>	<u>2,397,295</u>	<u>2,562,295</u>	<u>2,000,342</u>	<u>561,953</u>
Debt Service:				
Principal Retirement	202,608	202,608	202,608	0
Interest and Fiscal Charges	150,446	150,446	150,446	0
<i>Total Debt Service</i>	<u>353,054</u>	<u>353,054</u>	<u>353,054</u>	<u>0</u>
<i>Total Expenditures</i>	<u>2,750,349</u>	<u>2,915,349</u>	<u>2,353,396</u>	<u>561,953</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(370,295)</u>	<u>(535,295)</u>	<u>89,344</u>	<u>624,639</u>
Other Financing Sources (Uses):				
Advances In	0	200,000	200,000	0
Advances Out	0	(200,000)	(200,000)	0
<i>Total Other Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(370,295)</u>	<u>(535,295)</u>	<u>89,344</u>	<u>624,639</u>
<i>Fund Balance Beginning of Year</i>	<u>702,614</u>	<u>702,614</u>	<u>702,614</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>26,975</u>	<u>26,975</u>	<u>26,975</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$359,294</u></u>	<u><u>\$194,294</u></u>	<u><u>\$818,933</u></u>	<u><u>\$624,639</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$20,000	\$30,000	\$30,434	\$434
Expenditures:				
Current:				
Security of Persons and Property				
Other	20,000	30,000	29,384	616
<i>Net Change in Fund Balance</i>	0	0	1,050	1,050
<i>Fund Balance Beginning of Year</i>	13,806	13,806	13,806	0
<i>Fund Balance End of Year</i>	<u>\$13,806</u>	<u>\$13,806</u>	<u>\$14,856</u>	<u>\$1,050</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Taxes	\$479,313	\$479,313	\$260,421	(\$218,892)
Intergovernmental	35,108	35,108	37,424	2,316
Miscellaneous	100	100	0	(100)
<i>Total Revenues</i>	<u>514,521</u>	<u>514,521</u>	<u>297,845</u>	<u>(216,676)</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	208,367	418,367	418,367	0
Other	4,000	4,000	3,810	190
<i>Total Security of Persons and Property</i>	<u>212,367</u>	<u>422,367</u>	<u>422,177</u>	<u>190</u>
Debt Service:				
Principal Retirement	17,500	17,500	17,500	0
Interest and Fiscal Charges	33,561	33,561	33,560	1
<i>Total Debt Service</i>	<u>51,061</u>	<u>51,061</u>	<u>51,060</u>	<u>1</u>
<i>Total Expenditures</i>	<u>263,428</u>	<u>473,428</u>	<u>473,237</u>	<u>191</u>
<i>Net Change in Fund Balance</i>	251,093	41,093	(175,392)	(216,485)
<i>Fund Balance Beginning of Year</i>	<u>175,770</u>	<u>175,770</u>	<u>175,770</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$426,863</u></u>	<u><u>\$216,863</u></u>	<u><u>\$378</u></u>	<u><u>(\$216,485)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property and Other Taxes	\$334,719	\$334,719	\$260,421	(\$74,298)
Intergovernmental	35,108	35,108	37,424	2,316
<i>Total Revenues</i>	<u>369,827</u>	<u>369,827</u>	<u>297,845</u>	<u>(71,982)</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	16,515	324,405	324,405	0
Other	4,000	4,200	3,810	390
<i>Total Security of Persons and Property</i>	<u>20,515</u>	<u>328,605</u>	<u>328,215</u>	<u>390</u>
Debt Service:				
Principal Retirement	32,500	32,500	32,500	0
Interest and Fiscal Charges	62,326	62,326	62,326	0
<i>Total Debt Service</i>	<u>94,826</u>	<u>94,826</u>	<u>94,826</u>	<u>0</u>
<i>Total Expenditures</i>	<u>115,341</u>	<u>423,431</u>	<u>423,041</u>	<u>390</u>
<i>Net Change in Fund Balance</i>	254,486	(53,604)	(125,196)	(71,592)
<i>Fund Balance Beginning of Year</i>	<u>131,700</u>	<u>131,700</u>	<u>131,700</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$386,186</u>	<u>\$78,096</u>	<u>\$6,504</u>	<u>(\$71,592)</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$15,000	\$15,000	\$9,901	(\$5,099)
Expenditures:				
Current:				
Security of Persons and Property				
Contractual Services	10,000	10,000	900	9,100
<i>Net Change in Fund Balance</i>	5,000	5,000	9,001	4,001
<i>Fund Balance Beginning of Year</i>	137,979	137,979	137,979	0
<i>Fund Balance End of Year</i>	<u>\$142,979</u>	<u>\$142,979</u>	<u>\$146,980</u>	<u>\$4,001</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous	\$10,000	\$10,000	\$26,830	\$16,830
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	10,000	10,000	26,830	16,830
<i>Fund Balance Beginning of Year</i>	<u>86,754</u>	<u>86,754</u>	<u>86,754</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$96,754</u></u>	<u><u>\$96,754</u></u>	<u><u>\$113,584</u></u>	<u><u>\$16,830</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Total Revenues</i>	\$0	\$0	\$0	\$0
<i>Total Expenditures</i>	0	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	73,276	73,276	73,276	0
<i>Fund Balance End of Year</i>	\$73,276	\$73,276	\$73,276	\$0

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, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Fines and Forfeitures	\$250,000	\$250,000	\$135,922	(\$114,078)
Interest	250	250	0	(250)
<i>Total Revenues</i>	250,250	250,250	135,922	(114,328)
Expenditures:				
Current:				
Security of Persons and Property				
Other	250,000	250,000	174,105	75,895
<i>Net Change in Fund Balance</i>	250	250	(38,183)	(38,433)
<i>Fund Balance Beginning of Year</i>	682,726	682,726	682,726	0
<i>Fund Balance End of Year</i>	<u>\$682,976</u>	<u>\$682,976</u>	<u>\$644,543</u>	<u>(\$38,433)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$125,000	\$125,000	\$139,821	\$14,821
Interest	500	500	0	(500)
<i>Total Revenues</i>	<u>125,500</u>	<u>125,500</u>	<u>139,821</u>	<u>14,321</u>
Expenditures:				
Current:				
General Government				
Wages and Benefits	57,233	57,233	56,666	567
Materials and Supplies	10,680	10,680	4,097	6,583
Capital Outlay	163,700	227,500	106,008	121,492
Other	8,000	8,000	0	8,000
<i>Total Expenditures</i>	<u>239,613</u>	<u>303,413</u>	<u>166,771</u>	<u>136,642</u>
<i>Net Change in Fund Balance</i>	(114,113)	(177,913)	(26,950)	150,963
<i>Fund Balance Beginning of Year</i>	<u>387,935</u>	<u>387,935</u>	<u>387,935</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$273,822</u></u>	<u><u>\$210,022</u></u>	<u><u>\$360,985</u></u>	<u><u>\$150,963</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$40,000	\$40,000	\$42,640	\$2,640
Expenditures:				
Current:				
General Government				
Wages and Benefits	47,952	48,652	48,280	372
Capital Outlay	19,443	18,743	9,110	9,633
<i>Total Expenditures</i>	<u>67,395</u>	<u>67,395</u>	<u>57,390</u>	<u>10,005</u>
<i>Net Change in Fund Balance</i>	(27,395)	(27,395)	(14,750)	12,645
<i>Fund Balance Beginning of Year</i>	98,115	98,115	98,115	0
Prior Year Encumbrances Appropriated	<u>4,443</u>	<u>4,443</u>	<u>4,443</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$75,163</u></u>	<u><u>\$75,163</u></u>	<u><u>\$87,808</u></u>	<u><u>\$12,645</u></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, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Fines and Forfeitures	\$50,000	\$50,000	\$50,363	\$363
Expenditures:				
Current:				
General Government				
Wages and Benefits	65,688	65,688	62,646	3,042
<i>Net Change in Fund Balance</i>	(15,688)	(15,688)	(12,283)	3,405
<i>Fund Balance Beginning of Year</i>	118,991	118,991	118,991	0
<i>Fund Balance End of Year</i>	\$103,303	\$103,303	\$106,708	\$3,405

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$152,396	\$152,396	\$122,704	(\$29,692)
Interest	42,604	42,604	42,604	0
<i>Total Revenues</i>	<u>195,000</u>	<u>195,000</u>	<u>165,308</u>	<u>(29,692)</u>
Expenditures:				
Current:				
General Government				
Other	9,000	9,000	8,481	519
Debt Service:				
Principal Retirement	122,704	122,704	122,704	0
Interest and Fiscal Charges	55,395	55,395	55,395	0
<i>Total Debt Service</i>	<u>178,099</u>	<u>178,099</u>	<u>178,099</u>	<u>0</u>
<i>Total Expenditures</i>	<u>187,099</u>	<u>187,099</u>	<u>186,580</u>	<u>173</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	7,901	7,901	(21,272)	(29,519)
Other Financing Sources:				
Transfers In	0	0	21,272	21,272
<i>Net Change in Fund Balance</i>	7,901	7,901	0	(8,247)
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,901</u></u>	<u><u>\$7,901</u></u>	<u><u>\$0</u></u>	<u><u>(\$8,247)</u></u>

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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and Permits	\$370,000	\$370,000	\$412,481	\$42,481
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	490,300	490,300	205,564	284,736
<i>Excess of Revenues Over (Under) Expenditures</i>	(120,300)	(120,300)	206,917	327,217
Other Financing Uses:				
Transfers Out	(34,000)	(34,000)	(33,815)	185
<i>Net Change in Fund Balance</i>	(154,300)	(154,300)	173,102	327,402
<i>Fund Balance Beginning of Year</i>	168,045	168,045	168,045	0
Prior Year Encumbrances Appropriated	5,300	5,300	5,300	0
<i>Fund Balance End of Year</i>	<u>\$19,045</u>	<u>\$19,045</u>	<u>\$346,447</u>	<u>\$327,402</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$0	\$500,000	\$500,000	\$0
Interest	25,000	25,000	25,155	155
Miscellaneous	500	500	1,325	825
<i>Total Revenues</i>	25,500	525,500	526,480	980
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	1,620,682	1,620,682	747,145	873,537
<i>Excess of Revenues Under Expenditures</i>	(1,595,182)	(1,095,182)	(220,665)	874,517
Other Financing Uses:				
Transfers Out	(130,000)	(469,197)	(339,196)	130,001
<i>Net Change in Fund Balance</i>	(1,725,182)	(1,564,379)	(559,861)	1,004,518
<i>Fund Balance Beginning of Year</i>	2,549,029	2,549,029	2,549,029	0
Prior Year Encumbrances Appropriated	267,687	267,687	267,687	0
<i>Fund Balance End of Year</i>	<u>\$1,091,534</u>	<u>\$1,252,337</u>	<u>\$2,256,855</u>	<u>\$1,004,518</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$73,100	\$73,100	\$70,682	(\$2,418)
Interest	500	500	425	(75)
<i>Total Revenues</i>	<u>73,600</u>	<u>73,600</u>	<u>71,107</u>	<u>(2,493)</u>
Expenditures:				
Current:				
Capital Outlay				
Wages and Benefits	0	75,000	42,891	32,109
Contractual Services	6,849	6,849	5,990	859
Capital Outlay	90,041	90,041	41,548	48,493
<i>Total Expenditures</i>	<u>96,890</u>	<u>171,890</u>	<u>90,429</u>	<u>81,461</u>
<i>Net Change in Fund Balance</i>	(23,290)	(98,290)	(19,322)	78,968
<i>Fund Balance Beginning of Year</i>	154,289	154,289	154,289	0
Prior Year Encumbrances Appropriated	3,880	3,880	3,880	0
<i>Fund Balance End of Year</i>	<u>\$134,879</u>	<u>\$59,879</u>	<u>\$138,847</u>	<u>\$78,968</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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$1,161,996	\$1,161,996	\$966,682	(\$195,314)
Expenses:				
Wages and Benefits	583,926	503,926	452,228	51,698
Contractual Services	1,550	1,550	1,459	91
Materials and Supplies	601,384	681,384	636,209	45,175
Capital Outlay	12,000	12,000	10,995	1,005
Other	2,800	2,800	1,750	1,050
<i>Total Expenses</i>	<u>1,201,660</u>	<u>1,201,660</u>	<u>1,102,641</u>	<u>99,019</u>
<i>Excess of Revenues Under Expenses</i>	(39,664)	(39,664)	(135,959)	(96,295)
Advances In	<u>0</u>	<u>0</u>	<u>94,707</u>	<u>94,707</u>
<i>Excess of Revenues and Advances Under Expenses</i>	(39,664)	(39,664)	(41,252)	(1,588)
<i>Fund Equity Beginning of Year</i>	30,878	30,878	30,878	0
Prior Year Encumbrances Appropriated	<u>10,374</u>	<u>10,374</u>	<u>10,374</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$1,588</u></u>	<u><u>\$1,588</u></u>	<u><u>\$0</u></u>	<u><u>(\$1,588)</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, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$4,469,500	\$4,469,500	\$4,166,098	(\$303,402)
Interest	750	750	0	(750)
Miscellaneous	10,000	10,000	11,827	1,827
<i>Total Revenues</i>	<u>4,480,250</u>	<u>4,480,250</u>	<u>4,177,925</u>	<u>(302,325)</u>
Expenses:				
Wages and Benefits	20,590	20,590	20,024	566
Contractual Services	0	48,264	48,264	0
Claims	4,311,955	4,543,691	4,315,293	228,398
Other	2,000	2,000	441	1,559
<i>Total Expenses</i>	<u>4,334,545</u>	<u>4,614,545</u>	<u>4,384,022</u>	<u>230,523</u>
Net Change in Fund Balance	145,705	(134,295)	(206,097)	(71,802)
<i>Fund Equity Beginning of Year</i>	<u>275,958</u>	<u>275,958</u>	<u>275,958</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$421,663</u></u>	<u><u>\$141,663</u></u>	<u><u>\$69,861</u></u>	<u><u>(\$71,802)</u></u>



City of Lorain
Governmental Activities Revenues by Source and Expenses by Function
Last Two Years

	<u>2004</u>	<u>2003</u>
Program Revenues		
Charges for Services and Sales	\$4,662,759	\$3,720,634
Operating Grants and Contributions	14,433,494	11,509,194
Capital Grants and Contributions	1,717,034	4,535,632
General Revenues		
Property and Other Taxes	4,307,918	4,123,897
Municipal Income Taxes	17,652,400	16,558,559
Grants and Entitlements	487,998	434,976
Investment Earnings	217,102	162,478
Miscellaneous	<u>347,717</u>	<u>814,192</u>
Total	<u><u>\$43,826,422</u></u>	<u><u>\$41,859,562</u></u>
Expenses		
Current:		
General Government	\$12,247,263	\$18,594,382
Security of Persons and Property	20,176,364	20,151,907
Transportation	11,462,414	6,704,576
Public Health	2,379,010	1,985,041
Community Environment	889,831	770,420
Economic Development	2,114,776	825,936
Leisure Time Activities	1,296,839	1,311,140
Intergovernmental	0	18,420
Interest and Fiscal Charges	1,831,945	1,817,193
	<u><u>\$52,398,442</u></u>	<u><u>\$52,179,015</u></u>

Source: Lorain City Auditor

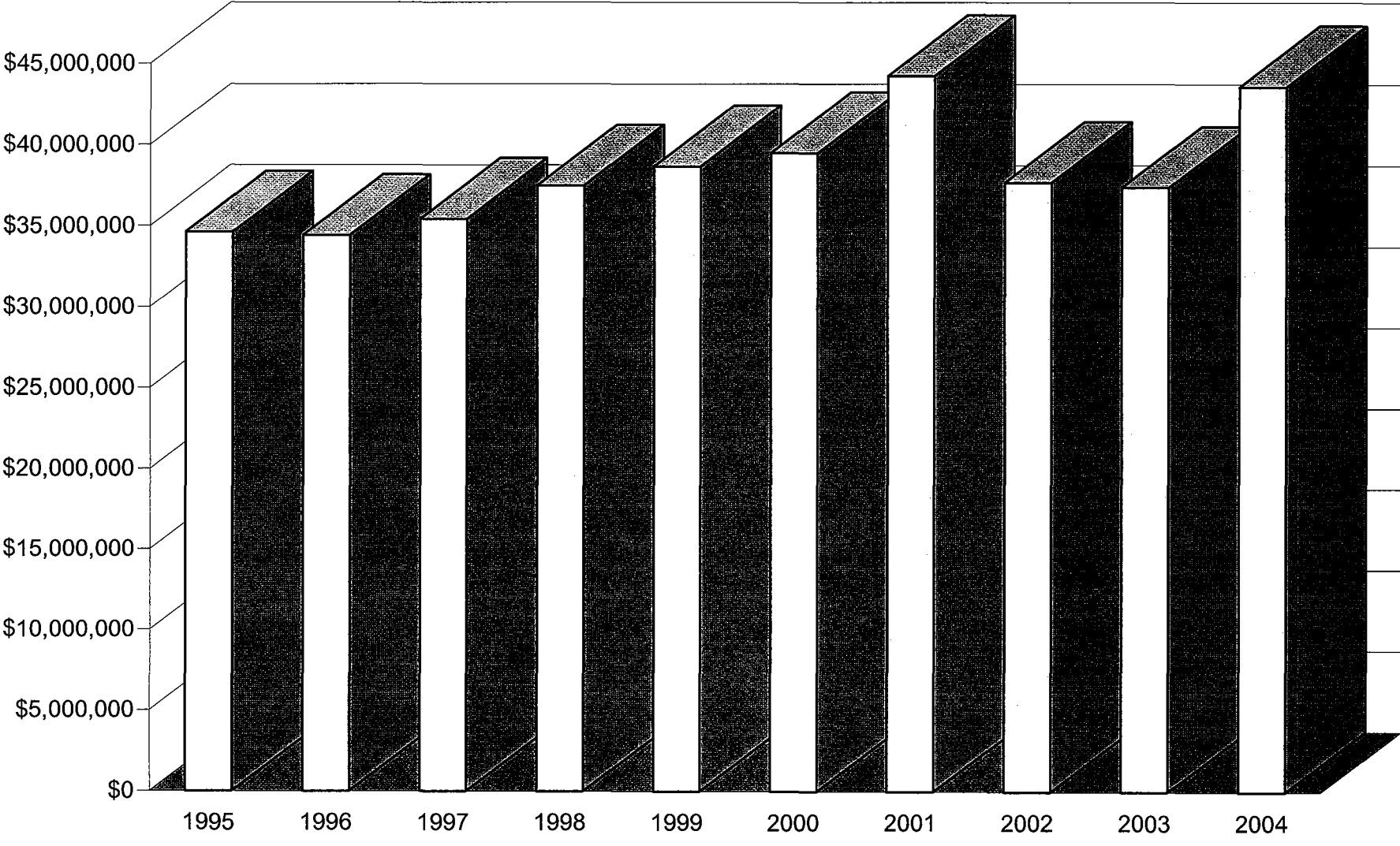
City of Lorain, Ohio
Governmental Fund Revenues by Source (1)
Last Ten Years

Year	Taxes	Charges for Services	Fines, Licenses and Permits	Inter-governmental	Special Assesments	Interest	Donations	Other	Total
2004	\$21,963,923	\$1,343,239	\$2,787,732	\$16,814,124	\$122,704	\$217,102	\$0	\$338,478	\$43,587,302
2003	20,462,247	1,247,753	2,444,324	12,104,895	174,799	162,478	0	814,192	37,410,688
2002	19,904,873	1,119,774	3,123,925	12,079,479	324,659	201,577	0	956,052	37,710,339
2001	20,277,128	956,437	2,378,314	19,313,513	158,630	395,523	0	771,020	44,250,565
2000	21,766,763	938,448	2,296,516	13,664,725	179,267	490,884	0	174,536	39,511,139
1999	19,958,146	439,434	2,061,198	14,795,431	215,025	321,895	0	891,588	38,682,717
1998	20,311,699	430,802	2,725,477	12,769,960	322,014	426,823	0	515,976	37,502,751
1997	20,251,077	351,342	2,056,536	11,388,615	429,841	444,923	0	513,513	35,435,847
1996	21,779,583	385,589	1,908,494	9,091,196	471,149	344,016	0	459,089	34,439,116
1995	21,301,019	545,590	1,926,151	9,676,597	555,346	228,752	0	384,041	34,617,496

(1) Information is based on modified accrual.

Source: Lorain City Auditor

Governmental Fund Revenue Trend Analysis



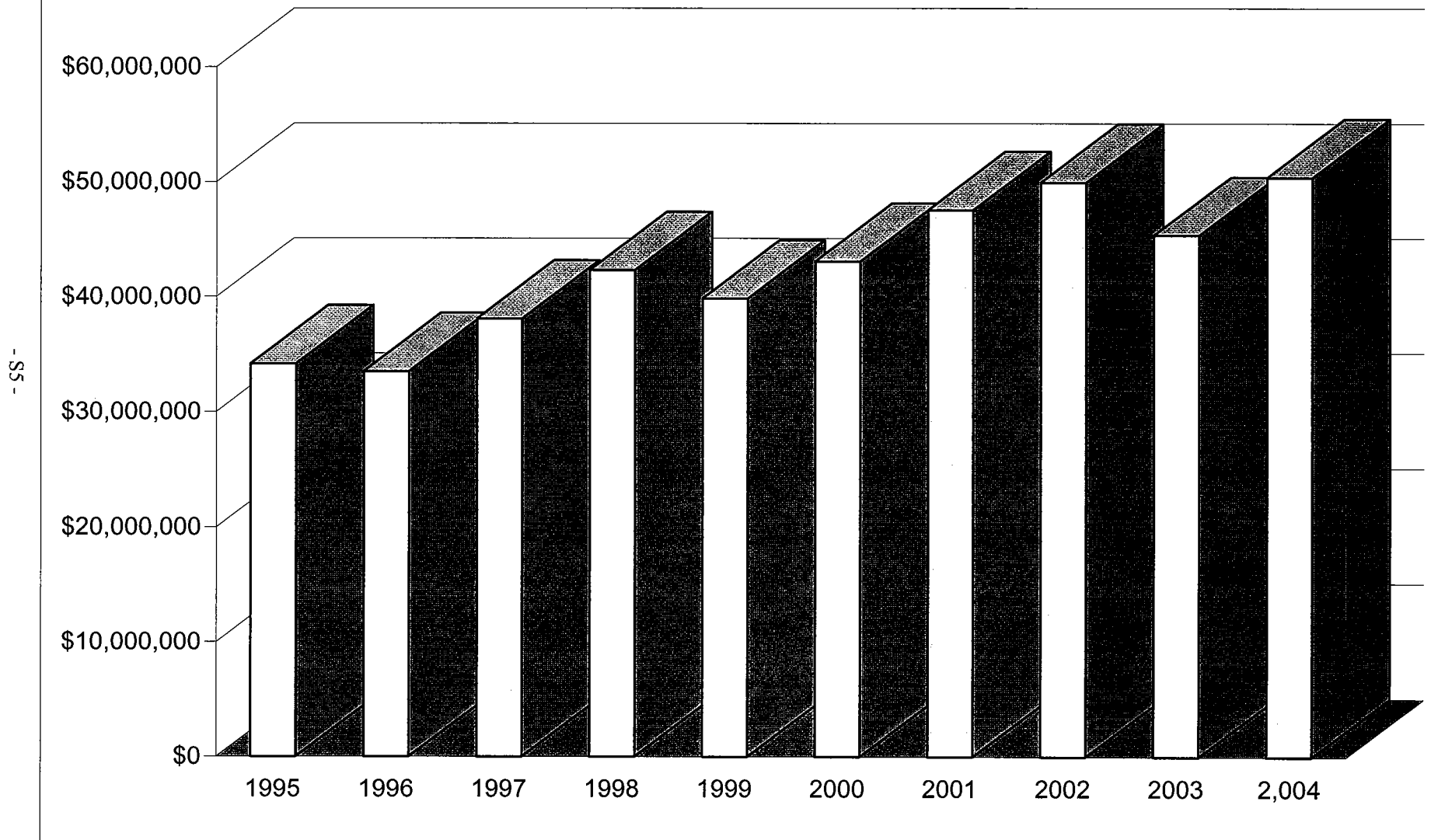
City of Lorain, Ohio
Governmental Fund Expenditures by Function (1)
Last Ten Years

Year	General Government	Security of Persons and Property	Transportation	Public Health and Welfare	Community Environment	Economic Development	Leisure Time Activities	Inter-governmental	Capital Outlay	Debt Service	Total
2004	\$7,472,394	\$18,334,999	\$2,261,567	\$1,872,129	\$715,893	\$2,606,100	\$1,009,957	\$0	\$8,707,726	\$7,426,075	\$50,406,840
2003	6,772,792	16,750,969	2,578,166	1,711,340	653,685	24,835	1,090,889	18,420	5,376,919	10,392,752	45,370,767
2002	6,812,397	17,422,517	1,902,093	1,590,199	612,126	6,887,067	934,524	0	9,240,850	4,569,291	49,971,064
2001	6,675,722	18,345,606	2,552,311	1,723,442	719,872	5,171,564	1,562,013	0	6,323,085	4,493,014	47,566,629
2000	7,007,186	17,944,155	3,647,614	1,780,974	685,051	4,628,864	1,483,343	0	1,677,727	4,235,472	43,090,386
1999	6,569,957	17,237,827	2,665,990	1,723,641	710,623	3,356,598	1,493,082	0	2,938,879	3,148,074	39,844,671
1998	6,546,059	15,760,123	2,557,555	1,594,986	704,649	5,021,472	1,407,498	0	2,434,120	6,292,582	42,319,044
1997	6,947,463	15,322,993	2,826,661	1,832,377	770,878	3,445,537	1,567,121	0	2,849,449	2,530,914	38,093,393
1996	6,303,235	14,356,607	2,492,447	1,567,052	593,131	2,118,978	1,528,519	0	1,918,307	2,645,860	33,524,136
1995	6,196,674	13,791,459	2,729,612	1,464,032	528,943	2,667,513	1,290,460	25,664	2,979,368	2,503,841	34,177,566

(1) Information is based on modified accrual.

Source: Lorain City Auditor

Governmental Fund Expenditure Trend Analysis



City of Lorain, Ohio
Assessed and Estimated Actual Values of Taxable Property -- (In Thousands)
Last Ten Years

Year	Real Property ⁽²⁾		Public Utility Property		Tangible Personal Property		Total		Ratio
	Assessed Value	Estimated Actual Value ⁽¹⁾	Assessed Value	Estimated Actual Value ⁽¹⁾	Assessed Value	Estimated Actual Value ⁽¹⁾	Assessed Value	Estimated Actual Value	
	2004	\$805,857	\$2,302,449	\$77,299	\$87,840	\$96,047	\$384,188	\$979,203	
2003	790,307	2,258,020	79,468	90,305	99,373	397,492	969,148	2,745,817	35
2002	722,732	2,064,949	83,021	94,342	155,636	622,544	961,389	2,781,835	35
2001	714,098	2,040,280	41,910	47,625	161,585	646,340	917,593	2,734,245	34
2000	716,163	2,046,180	64,043	72,776	145,005	580,019	925,211	2,698,976	34
1999	607,363	1,735,324	67,935	77,199	152,995	611,978	828,293	2,424,501	34
1998	605,581	1,730,231	69,159	78,590	147,825	591,300	822,565	2,400,121	34
1997	592,530	1,692,944	72,540	82,432	158,609	634,436	823,679	2,409,812	34
1996	524,374	1,498,213	70,388	79,986	152,707	610,830	747,469	2,189,029	34
1995	510,337	1,458,106	83,334	94,698	127,053	508,212	720,724	2,061,016	35

Source: Lorain County Auditor

(1) This amount is calculated by dividing the assessed value by the assessment percentage.

The percentages for 2004 are as follows:

Real property is assessed at 35% of actual value.

Public Utility is assessed at various rates of actual value.

Tangible personal is assessed at 25% of actual value for capital assets and 23% for inventory.

(2) Includes Mobile Home Values.

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

Year	Current Tax Levy (1)	Current Tax Collections (1)	Percent Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Collections To Current Tax Levy	Outstanding Delinquent Taxes (2)	Percent of Delinquent Taxes To Current Tax Levy
2004	\$3,956,482	\$3,773,999	95.4%	\$124,093	\$3,898,092	98.5%	\$302,980	7.7%
2003	3,665,134	3,483,359	95.0	132,140	3,615,499	98.6	300,673	8.2
2002	3,458,430	3,232,113	93.5	102,721	3,334,835	96.4	247,367	7.2
2001	3,569,077	3,345,912	93.7	116,101	3,462,013	97.0	251,934	7.1
2000	3,066,578	2,922,999	95.3	115,157	3,038,157	99.1	246,327	8.0
1999	3,183,610	2,910,261	91.4	107,157	3,017,418	94.8	352,399	11.1
1998	3,057,957	2,945,399	96.3	102,854	3,048,253	99.7	185,575	6.1
1997	2,731,861	2,644,441	96.8	80,588	2,725,029	99.7	149,383	5.5
1996	2,733,704	2,649,883	96.9	78,927	2,728,810	99.8	141,597	5.2
1995	2,699,844	2,532,355	93.8	76,274	2,608,629	96.6	229,928	8.5

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.

City of Lorain, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1000 Assessed Valuation)
Last Ten Years

City of Lorain

Year	General	Special Revenue	Debt Service	Total City	Lorain County	Special Taxing Districts	Total City and Overlapping Governments
2004	\$3.36	\$0.60	\$1.00	\$4.96	\$13.19	\$62.10	\$80.25
2003	3.36	0.60	1.00	4.96	12.89	62.45	80.30
2002	3.36	0.60	1.00	4.96	12.89	62.45	80.30
2001	3.36	0.60	1.00	4.96	10.79	58.98	74.73
2000	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1998	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1998	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1997	3.36	0.60	1.00	4.96	12.69	58.98	76.63
1996	3.36	0.60	1.00	4.96	12.69	58.49	76.14
1995	3.36	0.60	1.00	4.96	11.49	58.49	74.94

Source: Lorain County Auditor

City of Lorain, Ohio
Special Assessment Collections
Last Ten Years

<u>Year</u>	<u>Assessments Due</u>	<u>Collections</u>	<u>Percent Collected</u>
2004	\$1,042,203	\$122,704	12%
2003	1,061,831	174,799	16
2002	1,059,385	324,659	30
2001	1,018,273	158,630	16
2000	1,081,772	179,267	17
1999	1,110,658	215,025	19
1998	1,073,368	322,014	30
1997	1,094,484	429,841	39
1996	1,008,422	471,149	47
1995	1,052,001	555,346	53

Source: Lorain County Auditor

City of Lorain, Ohio
Ratio of Annual Debt Service Expenditures for
General Obligation Bonded Debt to Total Governmental Fund Expenditures
Last Ten Years

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to Governmental Fund Expenditures (Percentage)</u>
2004	\$1,232,296	\$1,277,872	\$2,510,168	\$50,406,840	4.98%
2003	1,122,593	1,212,519	2,335,112	45,370,767	4.61
2002	1,004,593	1,000,482	2,005,075	49,971,064	4.01
2001	939,593	817,863	1,757,456	47,566,629	3.69
2000	754,593	654,743	1,409,336	43,090,386	3.27
1999	909,593	596,557	1,506,150	39,844,671	3.78
1998	832,564	551,619	1,384,183	42,319,044	3.27
1997	817,564	511,231	1,328,795	38,093,393	3.49
1996	815,212	651,906	1,467,118	33,524,136	4.38
1995	550,356	433,376	983,732	34,177,566	2.88

Source: Lorain City Auditor

City of Lorain, Ohio
Ratio of Net General Obligation Bonded Debt
to Assessed Value and Net General Obligation Bonded Debt Per Capita
Last Ten Years

Year	Population	Assessed Value	Gross Bonded Debt (1)	Debt Service Monies Available	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net General Obligation Bonded Debt Per Capita
2004	68,652	\$979,203,076	\$24,734,873	\$213,668	\$24,521,205	2.50%	\$357
2003	68,652	969,147,530	25,967,169	365,406	25,601,763	2.64	373
2002	68,652	961,389,440	21,419,262	119,769	21,299,493	2.22	310
2001	68,652	917,592,790	13,518,855	198,734	13,320,121	1.45	194
2000	68,652	925,211,158	14,458,448	649,082	13,809,366	1.49	201
1999	69,800	828,293,210	10,363,041	38,753	10,324,288	1.25	148
1998	69,800	822,564,554	9,202,634	465,084	8,737,550	1.06	125
1997	69,800	823,678,974	6,355,198	668,308	5,686,890	0.69	81
1996	71,483	747,469,350	7,172,762	1,066,319	6,106,443	0.82	85
1995	71,483	720,724,541	7,987,974	1,253,250	6,734,724	0.93	94

(1) Includes only general obligation bonds payable from property taxes.
Source: Lorain County Auditor

City of Lorain, Ohio
Computation of Direct and Overlapping General Obligation Bonded Debt
December 31, 2004

	<u>General Obligation Bonded Debt</u>	<u>Percent Applicable to City (1)</u>	<u>Amount Applicable to City of Lorain</u>
Direct:			
City of Lorain	<u>\$24,734,873</u>	100.00%	<u>\$24,734,873</u>
Overlapping:			
Lorain City Schools	40,405,429	100.00	40,405,429
County of Lorain	<u>28,165,000</u>	19.15	<u>5,393,598</u>
Total Overlapping	<u>68,570,429</u>		<u>45,799,027</u>
Total Direct and Overlapping Debt	<u><u>\$93,305,302</u></u>		<u><u>\$70,533,900</u></u>

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

Source: Lorain City Schools
Lorain County Auditor

City of Lorain, Ohio
Schedule of Enterprise Revenue Bond Coverage
Water and Water Pollution Control Funds
Last Ten Years

<u>Fund</u>	<u>Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
Water Pollution Control	2004	\$8,313,069	\$6,224,953	\$2,088,116	\$510,000	\$244,165	\$754,165	2.77
	2003	7,728,255	7,399,650	328,605	480,000	268,180	748,180	0.44
	2002	7,673,262	6,057,938	1,615,324	465,000	290,547	755,547	2.14
	2001	7,963,116	6,381,124	1,581,992	440,000	311,675	751,675	2.10
	2000	8,739,907	6,347,621	2,392,286	420,000	331,245	751,245	3.18
	1999	8,276,380	5,696,068	2,580,312	400,000	349,495	749,495	3.44
	1998	7,465,131	5,507,841	1,957,290	390,000	366,582	756,582	2.59
	1997	6,904,935	5,222,997	1,681,938	375,000	382,557	757,557	2.22
	1996	7,581,145	4,870,041	2,711,104	200,000	394,045	594,045	4.56
	1995	7,100,160	5,214,605	1,885,555	275,000	817,605	1,092,605	1.73
Water Works (2)	2004	\$8,342,495	\$5,407,940	\$2,934,555	\$420,000	\$365,739	\$785,739	3.73
	2003	8,249,924	6,165,744	2,084,180	400,000	393,397	793,397	2.63
	2002	7,958,375	5,679,672	2,278,703	385,000	411,245	796,245	2.86
	2001	7,493,865	4,122,439	3,371,426	365,000	428,053	793,053	4.25
	2000	5,183,848	4,774,381	409,467	350,000	443,608	793,608	-0.5
	1999	5,482,568	5,705,652	-223,084	335,000	458,168	793,168	-0.28
	1998	6,030,207	4,573,306	1,456,901	325,000	471,865	796,865	1.83
	1997	5,726,504	4,675,543	1,050,961	310,000	484,650	794,650	1.32
	1996	5,881,611	5,158,948	722,663	0	408,977	408,977	1.77

(1) Excludes Depreciation

(2) Water Revenue Bonds were issued in 1995. Interest payments began in 1996. Principal payments began in 1997.

Source: Lorain City Auditor

**City of Lorain, Ohio
Legal Debt Margin
December 31, 2004**

	<u>Total Debt Limit</u>	<u>Total Unvoted Debt Limit</u>
Assessed Valuation	\$979,203,076	\$979,203,076
Debt Limitation	102,816,323 10.5 percent	53,856,169 5.5 percent
Total Voted and Unvoted Debt:		
General Obligation Bonds	24,734,873	24,734,873
Special Assessment Bonds	860,127	860,127
Hud Section 108 Loans	6,785,000	6,785,000
Enterprise Fund General Obligation Bonds	1,550,000	1,550,000
Enterprise Fund Revenue Bonds	11,465,000	11,465,000
Ohio Water Development Authority Loans	28,524,772	28,524,772
Bond Anticipation Notes	4,150,000	4,150,000
OPWC Loans	<u>1,904,310</u>	<u>1,904,310</u>
Total Voted and Unvoted Debt	<u>79,974,082</u>	<u>79,974,082</u>
Less: Debt Outside Limitations:		
Special Assessment Bonds	860,127	860,127
Enterprise Fund General Obligation Bonds	1,550,000	1,550,000
Revenue Bonds	11,465,000	11,465,000
Ohio Water Development Authority Loans	<u>28,524,772</u>	<u>28,524,772</u>
Total Debt Outside Limitations	<u>42,399,899</u>	<u>42,399,899</u>
Total Debt Applicable to Limitation within 10.5%	37,574,183	
Total Debt Applicable to Limitation within 5.5%		37,574,183
Less: Amount Available in Debt Service Fund	<u>213,668</u>	<u>213,668</u>
Net Debt Within 10.5% Limitation	37,360,515	
Net Debt Within 5.5% Limitation		<u>37,360,515</u>
Overall Debt Margin Within 10.5% Limitation	\$65,455,808	
Overall Debt Margin Within 5.5% Limitation		<u><u>\$16,495,654</u></u>

Source: Lorain City Auditor

City of Lorain
Property Value, Construction and Bank Deposits
Last Ten Years

<u>Year</u>	<u>Estimated Actual City Property Value (1)</u>	<u>New Construction</u>			<u>County Bank Deposits (2, 3)</u>
		<u>Agriculture/ Residential</u>	<u>Commercial Industrial</u>	<u>Total</u>	
2004	\$2,774,475,663	\$8,917,500	\$1,040,710	\$9,958,210	\$685,900,000
2003	2,745,815,731	7,627,100	2,812,100	10,439,200	649,005,000
2002	2,781,834,692	8,212,470	2,129,870	10,342,340	614,592,000
2001	2,734,245,060	4,161,790	3,056,870	7,218,660	555,591,000
2000	2,698,975,841	5,315,310	2,581,840	7,897,150	513,102,000
1999	2,424,501,221	5,782,570	6,079,500	11,862,070	463,993,000
1998	2,400,122,000	3,552,310	2,478,800	6,031,110	444,974,000
1997	2,409,811,422	5,100,610	2,873,810	7,974,420	1,381,977,000
1996	2,189,029,000	2,517,540	10,517,990	13,035,530	1,744,502,000
1995	2,061,016,000	2,455,480	1,381,910	3,837,390	1,628,133,000

Sources:

- (1) Lorain County Auditor's Office
- (2) Federal Reserve Bank of Cleveland
- (3) Decreases in 1997 and 1998 resulted when out-of-county banks acquired local bank branches.
The deposits were moved out of Lorain County.

City of Lorain
Ten Largest Real Property Taxpayers
December 31, 2004

<u>Taxpayer</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of Total Real Property Assessed Valuation</u>
First Energy Generation	\$40,810,560	5.06 %
Ohio Edison Company	19,016,800	2.36
Ford Motor Company	15,395,980	1.91
Century Telephone	7,815,790	0.97
American Transmission	7,708,940	0.96
Republic Technologies Int'l (1)	7,312,620	0.91
Society National Bank	3,886,520	0.48
Oster Construction	2,792,860	0.35
Reliance Comm/Tec (2)	2,385,870	0.30
United States Steel LLC	2,243,330	0.28
Total of Above	<u><u>\$109,369,270</u></u>	<u><u>13.58 %</u></u>
Total City Valuation	<u><u>\$805,857,060</u></u>	

(1) Formerly USS/Kobe Steel Company

(2) Formerly Reliance Electric Company
(Lorain Products Division)

Source: Lorain County Auditor

City of Lorain, Ohio
Ten Largest Personal Property Taxpayers
December 31, 2004

Taxpayer	Personal Property Assessed Valuation	Percentage of Total Personal Property Assessed Valuation
United States Steel	\$24,839,690	25.86 %
Republic Engineered	11,842,560	12.33
Ford Motor Company	9,475,100	9.87
Marconi Communications	7,608,780	7.92
Parnassos L.P.	2,108,410	2.20
Praxair Inc.	1,509,500	1.57
Joe Firment Chevrolet Inc.	1,374,180	1.43
National Gypsum Company	1,337,240	1.39
K Mart Corporation	1,234,160	1.28
P C Campana Inc.	1,220,640	1.27
Total of Above	<u><u>\$62,550,260</u></u>	<u><u>65.12 %</u></u>
Total City Valuation	<u><u>\$96,046,696</u></u>	

Source: Lorain County Auditor

City of Lorain, Ohio
Ten Largest Employers in the City
December 31, 2004

Employer	Nature of Activity or Business	Number of Employees
Community Health Partners (Health Center)	Health care	1,803
Ford Motor Company (Lorain Plant)	Automobile manufacturing control center	1,674
Lorain City School District	Education	1,222
Republic Engineered Products	Steel manufacturing	1,147
City of Lorain	Government	530
Emerson Network Power /Reliance Comm	Telecommunications equipment	396
Lorain Tubular	Steel manufacturing	428
CAMACO, Inc.	Automotive Seating System Solutions	300
The Nord Center	Health Care	244
Lorain National Bank	Financial Institution	227

Source: Individual Employers

**City of Lorain, Ohio
Demographic Statistics
Last Ten Years**

Year	Population (1)	School Enrollment (2)	Average Unemployment Rate Lorain County (3)
2004	68,652	9,909	5.8 %
2003	68,652	10,322	6.6
2002	68,652	10,655	6.6
2001	68,652	10,813	5.8
2000	68,652	10,619	5.4
1999	69,800	10,571	3.4
1998	69,800	10,634	3.6
1997	69,800	10,576	6.1
1996	71,483	10,684	7.8
1995	71,483	10,615	5.1

Sources: (1) Ohio Department of Development
(2) Lorain Board of Education
(3) Ohio Department of Employment Services
Labor Market Information Department

City of Lorain, Ohio
Miscellaneous Information
December 31, 2004

Government:	Date of Incorporation	1874
	Form of Government	Mayor/Council
Area:	23.8 square miles	
Streets:	Miles of Streets	281
Traffic Lights:		528
Fire:	Fire Protection:	
	Number of Stations	4
	Number of Firemen and Officers	83
Police:	Police Protection:	
	Number of Stations	1
	Number of Sub-Stations	2
	Number of Policemen and Officers	83
Rescue Service:	Rescue Service:	
	Number of Stations	1
	Number of Rescue Personnel	68
Recreation and Culture:	Number of Parks	57
	Number of Libraries	2
Employees:	Seasonal (Summer Help)	173
	Permanent Part Time	22
	Full Time	483

City Employees are represented by the following bargaining units:

Lorain Firefighters Association - International Association of Firefighters	83
Fraternal Order of Police - Lodge No. 3, Lorain	74
Fraternal Order of Police - Lodge No. 3, Lorain - Promoted Unit	18
Ohio Police Benevolent Association (Correction Officers)	0
Ohio Police Benevolent Association (Dispatchers)	13
United Steelworkers - Local 6621	171

Source: Lorain City Auditor



City Of Lorain, Ohio

SINGLE AUDIT REPORTS

DECEMBER 31, 2004

CITY OF LORAIN, OHIO

FOR THE YEAR ENDED DECEMBER 31, 2004

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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 (the "City") as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 24, 2005, wherein we noted the City of Lorain adopted Government Accounting Standards Board Technical Bulletin No. 2004-2. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 24, 2005.

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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 04-1 and 04-2.

Members of the City Council
City of Lorain, Ohio

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.

Cuni & Parichi, Inc.

Cleveland, Ohio
June 24, 2005

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 (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 its major federal programs for the year ended December 31, 2004. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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, 2004.

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 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

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 as of and for the year ended December 31, 2004, and have issued our report thereon dated June 24, 2005, wherein we noted the City of Lorain adopted Government Accounting Standards Board Technical Bulletin No. 2004-2.

Our audit was performed for the purpose of forming an opinion on the 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 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 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 24, 2005

CITY OF LORAIN, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Awarding Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing And Urban Development			
Community Development Block Grant (CDBG)			
Small Cities Cluster:			
Community Development Block Grant	14.218		\$ 2,677,307
Section 108 Program	14.248		<u>1,705,299</u>
Total CDGB Program			<u>4,382,606</u>
HOME Investment Partnership Program	14.239		<u>1,137,474</u>
Total U.S. Department of Housing and Urban Development			<u>5,520,080</u>
U.S. Department of Transportation			
Passed-through Ohio Department of Transportation			
Highway Planning and Construction	20.205	03N033	1,508,281
Passed-through Ohio Department of Public Safety			
State and Community Highway Safety Grant	20.600	GR#3119.0	<u>34,738</u>
Total U.S. Department of Transportation			<u>1,543,019</u>
U.S. Department of Health and Human Services			
Passed-through Ohio Department of Health			
Public Health Infrastructure Grant	93.283	47-1-001-2-BI-04	78,739
HIV Prevention Grant	93.940	263-440-5238-6	29,640
Cardiovascular Health Grant	93.991	47-2-002-2-ED-03	<u>49,191</u>
Total U.S. Department of Health and Human Services			<u>157,570</u>
U.S. Department of Justice			
Local Law Enforcement Block Grant	16.592	2002-LB-BX-1655	40,351
Public Safety Partnership and Community Policing Grant (COPS)	16.710	04-SHWX-0088	<u>62,500</u>
Total U.S. Department of Justice			<u>102,851</u>

The accompanying notes are an integral part of this schedule

CITY OF LORAIN, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2004

U.S. Department of Commerce

Passed-through Ohio Department of
Natural Resources:

Coastal Management Assistance Grant	11.419	06-1 Coastal Mgmt.	<u>25,820</u>
Total U.S. Department of Commerce			<u>25,820</u>

U.S. Department of Homeland Security

Assistance to Firefighters Grant	97.044	FEMA-EMW-2002-FG-20397	136,169
Assistance to Firefighters Grant	97.044	FEMA-EMW-2003-FG-18710	45,437
Passed-through Ohio Public Safety Emergency Management Agency: Public Assistance Grant	97.036	FEMA-3187-EM-093-44856	<u>17,185</u>
Total U.S. Department of Justice			<u>198,791</u>

Total Federal Awards Expenditures \$ 7,548,131

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, 2004

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 general-purpose 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 not been reflected in the Schedule of Federal Awards. The terms and balances due as of December 31, 2004 are as follows:

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Length of Term</u>	<u>Balance at December 31, 2004</u>
December 15, 1992	\$ 2,200,000	20 years	\$ 880,000
December 15, 1992	200,000	20 years	80,000
June 14, 2000	2,500,000	19.5 years	1,875,000
August 8, 2002	2,000,000	19 years	1,750,000
July 6, 2004	2,200,000	20 years	2,200,000

CITY OF LORAIN, OHIO

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505

DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(I)(I)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions 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, Highway Planning and Construction, 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

04-1 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, 2003:

General Fund	\$ 2,340,819
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CITY OF LORAIN, OHIO

SCHEDULE OF FINDINGS (Continued)
OMB CIRCULAR A-133, SECTION .505

DECEMBER 31, 2004

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

04-2 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, 2004, the City had expenditures plus encumbrances in excess of appropriations as follows:

<u>Major Funds</u>	<u>Excess</u>
General Fund	
Judges	
Wages and Benefits	\$ 204
Safety/Service Director	
Contractual Services	583,177
Other	30,058
Data Processing	
Wages and Benefits	668
Police Department	
Wages and Benefits	885,257
Fire Department	
Wages and Benefits	904,510
Other Financing Uses	
Advances Out	110,064
Transfers Out	794,156
Bond Retirement	
Interest and Fiscal Charges	11

3. FINDINGS FOR FEDERAL AWARDS

There were no findings for federal awards to report in 2004.

CITY OF LORAIN, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS OMB CIRCULAR A-133, SECTION .315(b)

DECEMBER 31, 2004

Finding No.	Finding Summary	Fully Corrected	Explanation
03-1	<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, 2003, the City had funds with deficit cash balances. 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 2004.
03-2	<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, 2003, 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 2004.

CITY OF LORAIN

**200 WEST ERIE AVENUE, 6TH 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, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
04-1	Management will monitor fund balances and properly advance funds to cover deficit fund balances, if necessary.	N/A	Ronald Mantini, Auditor
04-2	Management will monitor expenditures and encumbrances and amend appropriations, if necessary.	N/A	Ronald Mantini, Auditor



**Auditor of State
Betty Montgomery**

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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 4, 2005**