

# City of Lorain, Ohio

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## Comprehensive Annual Financial Report

For the Year Ended December 31, 2006

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





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Lorain, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2006 through December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 23, 2007

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# The City of Lorain, Ohio

## Ronald L. Mantini, Auditor

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

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

June 22, 2007

Citizens of Lorain  
Lorain, Ohio

I am pleased to submit the comprehensive annual financial report of the City of Lorain for the year ended December 31, 2006.

This report enables the City to comply with Ohio Administrative Code Section 117-2-03 (B), which requires reporting on a GAAP (Generally Accepted Accounting Principles) basis, and Ohio Revised Code Section 117.38 which requires the cities reporting on a GAAP basis to file unaudited general purpose external financial statements with the Auditor of State within 150 days of fiscal year end. This report is submitted to fulfill that requirement for the year ended December 31, 2006.

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

Ciuni and Panichi, Inc., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Lorain financial statements for the year ended December 31, 2006. The independent auditor's report is located at the front of the financial section of this report.

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

### **Profile of the Government**

The City of Lorain, incorporated in 1874, is located in Lorain County in northeastern Ohio on the shore of Lake Erie, approximately 30 miles west of Cleveland and 90 miles east of Toledo. It currently occupies 24.25 square miles and serves a population of 68,652 based on the most recent data from the United States Census Bureau.

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

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

The City operates as a statutory City under the laws and regulations as set forth under the Ohio Constitution, which is in contrast to the specialized charter forms of government. The citizens have voted down charters in the past. The form of government prescribed in Lorain is Mayor-Council.

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

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

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

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

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

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

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

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

### **Local Economy**

The economy of the City continues to have a diverse base with a mix of service oriented and manufacturing businesses. The following industries are vital to the City's financial condition and

contribute to the stable economic condition of the City: Community Health Partners, the City's largest employer, is a full service hospital affiliated with Cleveland, Ohio based University Hospitals Health Systems; Industrias CH, S.A. (Republic Engineered Products) is North America's leading supplier of high quality bar steel; Lorain Tubular, a division of United States Steel Corporation, is a leading manufacturer of seamless steel pipe; Emerson Network Power, a major global telecommunications service provider; Lorain City School District; Lorain National Bank; Lake Point Health Center; The Nord Center, a health care facility; CAMACO Inc., an automotive seating systems supplier.

The City has pursued several areas for urban renewal enhancement and redevelopment which include the following:

- **HarborWalk**, A \$100 million, 62-acre development project which includes a 420-unit residential housing development, nautical boutiques, restaurants, a health club, a boardwalk and pier, a commercial fishing village and a 34,000 square foot commercial center. The HarborWalk Project involves an area which includes the former shipyard section of the City's downtown riverfront. A 19-acre Riverside Marina will remain on the site. As of December 31, 2006 a total of 140 units have been constructed. New construction will continue through 2007.
- **Riverbend Commerce Park** (formerly named Colorado Industrial Park), The industrial park comprises an area of approximately 440 acres along the Black River, with approximately 178 acres of land suitable for development. 35 of the developable acres are located in Sheffield Village. Construction began in April 2006 on the infrastructure of the industrial park which includes 6,000 linear feet of roadway with necessary appurtenances including sanitary sewer, storm water management, street lighting and signage, among other things. The roadway, water lines and sewer lines were completed in November 2006. Plans call for a 30,000 square foot "spec" building to be built on the site by spring of 2008. This project will allow for approximately 75 acres of light industrial and commercial development within the City.
- **Lighthouse Village**: The City has adopted the Lighthouse Village Urban Renewal Plan. Within the plan area is a development site of approximately 65 acres controlled by Lighthouse Village, LLC. Their proposed development of an approximately 500,000 square foot retail facility is anchored by Kohl's Department Store which opened in October 2006 and Home Depot which opened in February 2007. An Applebee's Restaurant is scheduled to open in late 2007. Additional negotiations are underway with other retailers to locate on this site. This project is expected to generate approximately \$40 million in private investment and \$100 million in annual sales. The Lighthouse Village development is estimated to create 950 new jobs with an annual payroll of \$17 million.
- **Lorain West Urban Renewal Plan**: The City has received and adopted the Lorain West Urban Renewal Plan. This plan area includes the Amherst Development Co. LLC. (aka Heritage Development) with their 200 plus housing subdivision and retail center of approximately 250,000 square feet, of which half would be in the City of Lorain. Construction has begun on a Target Store with a planned opening of late summer or early fall 2007. The Target store is located in the City of Amherst portion of this development. Plans call for three more retail stores to be built in the Lorain portion of the site, along with two out lots in the Lorain section.

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

with three companies to relocate to the site – one in July 2007 and the other two in the fall of 2007. IRG is also working with seven other potential companies to locate at the site.

- **Lorain Lakefront Development:** The City of Lorain and the Lorain Port Authority have signed a cooperative agreement to market the development of this site along with additional property along the Black River that is owned by the Port Authority. A contract to market the property on an international level was awarded to Staubach, Inc. in May 2007. In addition, The Great Lakes Historical Society – Inland Seas Maritime Museum has signed an agreement to move from its current location in Vermilion, Ohio to the Lorain Pellet Terminal site. They are currently raising the funds necessary to construct the museum.

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

Residential properties have grown considerably over the past few years resulting in several new subdivisions including the following:

- Martin's Run housing development which encompasses 529 acres and calls for over 2,000 housing units over a 15-year period with 284 homes completed as of December 31, 2006.
- The Deerfield housing and retail development on the City's west side. Plans for the development call for 192 single-family homes in the \$170,000 to \$230,000 price range. The community itself offers two popular features -- a pool and clubhouse – which contribute to a delightful quality of life. A 35 acre retail shopping plaza is also planned. Construction on the housing development began in 2003 and 75 homes have been completed as of December 31, 2006. An additional 30 homes are expected to be completed during 2007.
- Mallard Creek housing development on the west side of Oak Point Road in the City. Plans for the development call for 50 single-family homes. Construction began in 2002 and 15 homes have been completed as of December 31, 2006.
- “La Cote de Lac”, 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. The project will develop one of the few remaining available pieces of property located on Lake Erie in the County.

### **Long Term Financial Planning**

The Administration is committed to working with the business community and residents to assure that the City of Lorain provides a high quality of life and services.

### **Major Initiatives**

**Lorain Health Department** Public Health Preparedness Initiative: The department received additional grant monies from the Ohio Department of Health to increase its infrastructure capability to respond in the event of a public health emergency. Incident command training was provided for all management personnel to function in an emergency operation structure. Policy, procedures and equipment were developed to establish satellite clinics (points of dispensing) in the event of mass vaccinations. A back up generator was installed to provide continuous utility services to the department in the event of a disaster.

***Lorain Police Department*** The addition of 2 dispatchers, and the replacement of 3 police officers and 1 secretary within the Lorain Police Department in 2006 has enhanced law enforcement services in the City of Lorain. Also, 2 additional K-9 units crossed trained in Patrol and Narcotics, bringing the current total to 3.

The Department applied for and received a grant from the Ohio Department of Public Safety in the amount of \$27,358 for traffic enforcement. This grant is used to conduct DUI checkpoints and blitz enforcements throughout the year, as well as enforce alcohol, safety belt and speeding violations. The Department also received the BYRNE grant which allowed for the purchase of a fingerprint ID machine. The LPD successfully fingerprinted several children for identification purposes throughout 2006.

The Lorain Police began to plan and organize for the re-opening of the City Jail as a 12 day holding facility. Completion of the facility is projected for the 4<sup>th</sup> quarter 2007.

***Lorain Utilities Department*** The following major projects were completed in 2006:

- The construction of the Kay Drive retention basin.
- Tacoma & Pearl Avenue pump station improvement project which consisted of replacing a generator, six pumps along with associated piping and valves, and new motor control centers.
- Amherst Township relief sewer project consisted of 5,582 feet of sanitary sewer pipe and 1,065 feet of storm sewer pipe along with road resurfacing after the installation of the pipe.

The Utility department began two major sanitary sewer improvement projects in 2006. The West Side Sanitary Relief Sewer Improvement project consisting of the installation of new sanitary mainline with manholes, appurtenances and chambers and the East-Central Relief Sewer Improvements, which consists of the installation of new sanitary mainline with manholes and the rehabilitation of existing sanitary mainline.

### **Awards and Acknowledgements**

***Awards*** The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2005.

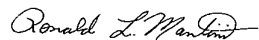
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The CAFR is judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of 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 twelve 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, 2005

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.



President

Executive Director

**CITY OF LORAIN, OHIO**  
**ELECTED OFFICIALS**

<b><u>TITLE</u></b>	<b><u>NAME</u></b>	<b><u>YEARS OF SERVICE IN OFFICE</u></b>	<b><u>YEARS OF SERVICE WITH THE CITY</u></b>
Mayor	Craig Foltin	7	13
City Auditor	Ronald L. Mantini	7	7
City Treasurer	Thomas Urbanek	1	21
Director of Law	Mark Provenza	7	18
Clerk of Courts	Lori Maiorana	1	26
Judge	Mark Mihok	5	18
Judge	Thomas Elwell	3	3
<i>Members of Council:</i>			
Council President	Kenneth Shawver	5	17
Council at Large	Tony Krasienko	1	11
Council at Large	Daniel Given	1	13
Council at Large	Kathy Tavenner	7	13
1 <sup>ST</sup> Ward	David Wargo	7	10
2 <sup>nd</sup> Ward	Phil Betleski	3	3
3 <sup>rd</sup> Ward	David Escobar	1	1
4 <sup>th</sup> Ward	Bret Schuster	1	1
5 <sup>th</sup> Ward	Eddie Edwards	9	9
6 <sup>th</sup> Ward	Greg Holcomb	1	1
7 <sup>th</sup> Ward	Myroslaw Silecky	1	1
8 <sup>th</sup> Ward	Craig Snodgrass	1	1

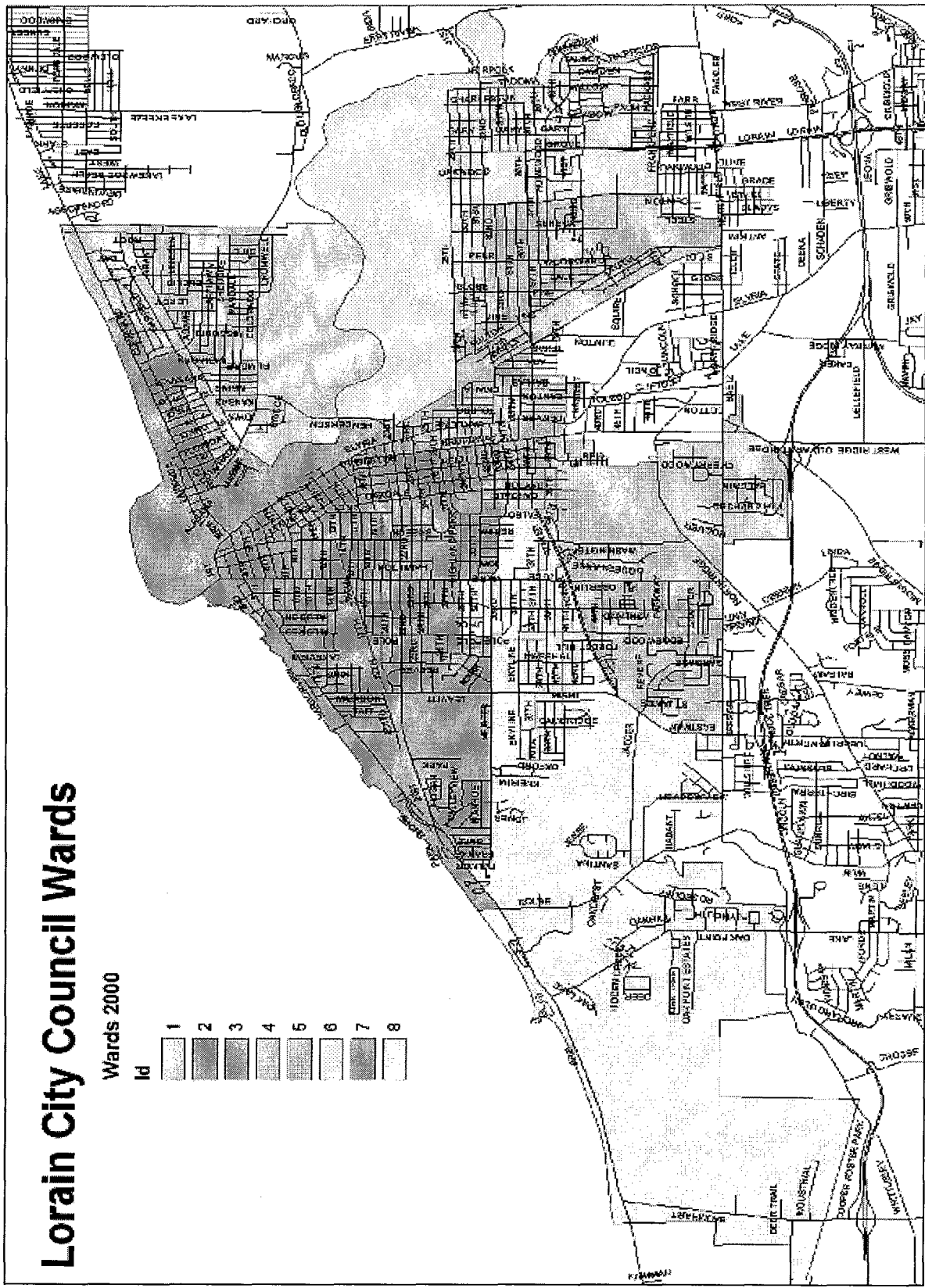
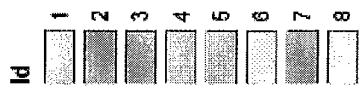
**APPOINTED OFFICIALS**

<b><u>TITLE</u></b>	<b><u>NAME</u></b>	<b><u>YEARS OF SERVICE IN OFFICE</u></b>	<b><u>YEARS OF SERVICE WITH THE CITY</u></b>
Director of Public Safety/Service	Michael Kobyłka	<1	<1
Police Chief	Celestino Rivera	12	36
Fire Chief	Thomas Brown	1	19
Director of Utilities	Corey Timko	3	6
Director of Community Development	Sanford Prudoff	34	34
Director of Park & Recreation	Bob Renney	4	22
Street Commissioner	Chuck Camera	16	35
Building Inspector	William Desvari	4	4
Administrative Director (Engineering)	Patrick McGannon	8	36
Chief Deputy Auditor	Anita Harper	7	7
MIS Director	David Comer	13	13
Clerk of Council	Nancy Greer	12	15

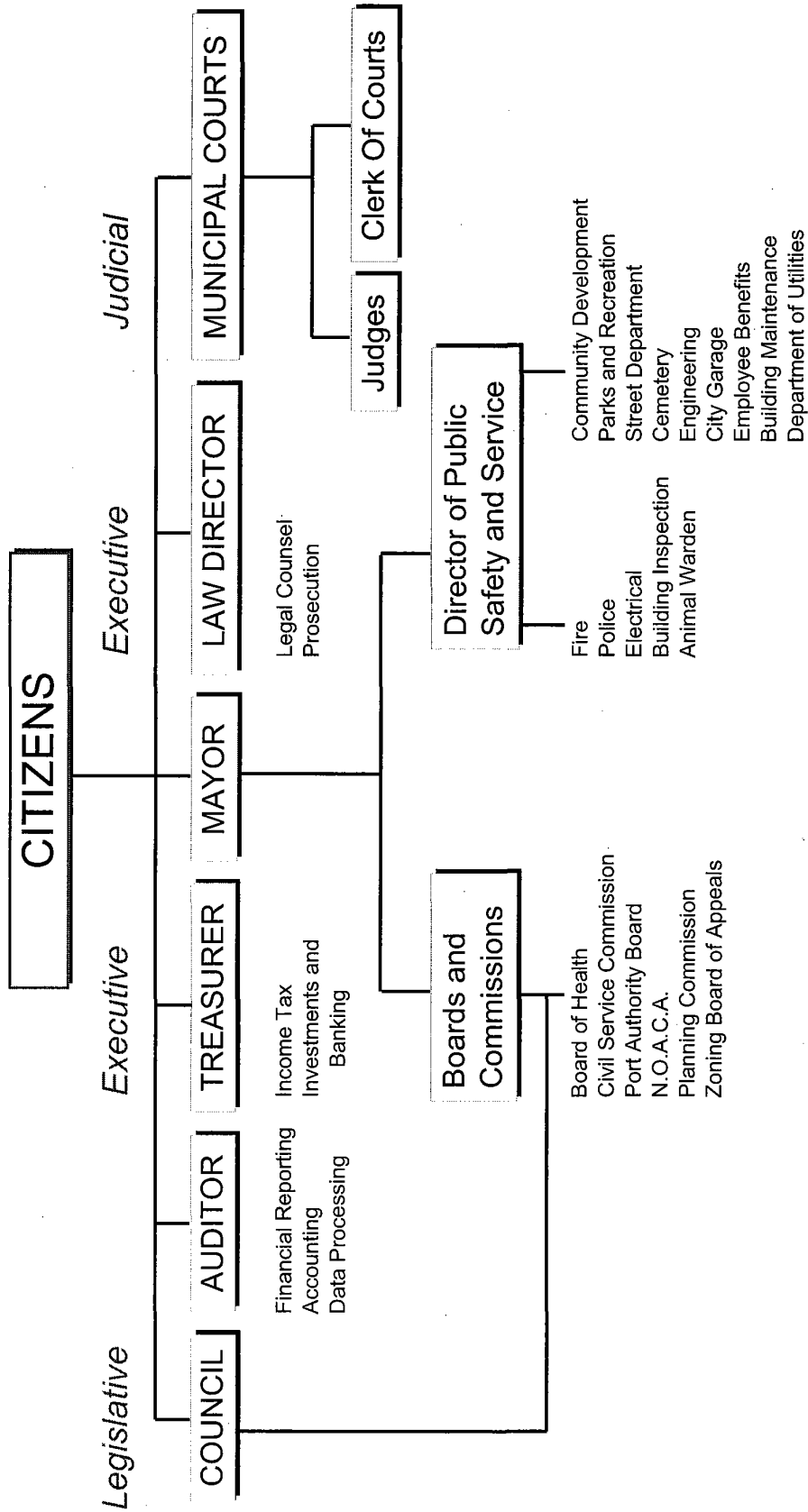


# Lorain City Council Wards

Wards 2000



# City of Lorain - Organizational Chart



## Independent Auditors' Report

Members of the City Council  
Lorain, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Ohio as of and for the year ended December 31, 2006, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Ohio, as of December 31, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Community Development Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2006, the City implemented GASB Statement No. 47 "Accounting for Termination Benefits".

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council  
Lorain, Ohio

The management's discussion and analysis on pages 3 through 16, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Cini & Paricki, Inc.*

Cleveland, Ohio  
June 22, 2007

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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The discussion and analysis of the City of Lorain's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. 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 2006 are:

- The City's deficit cash balance in the general fund as of December 31, 2006 was \$558,086. This is a decrease of \$691,640 over 2005. Of this amount, \$557,438 was due to an increase in local government assistance funds received from the State. The remainder of the decrease is due to an increase in interest earned on short term investments.
- Total assets decreased by \$11,097,253 from 2005 to 2006, or 3.73 percent.
- Total liabilities increased by \$2,588,592 from 2005 to 2006, or 2.63 percent.
- Total net assets decreased \$13,685,845 from 2005 to 2006, or 6.88 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, 2006*  
*Unaudited*

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions to determine how the City did financially during 2006. The *Statement of Net Assets* and the *Statement of Activities* provides this information. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

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

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

### ***Governmental Funds***

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

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***Proprietary Funds***

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

***Internal Service Funds***

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

***Fiduciary Funds***

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

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the City-wide and fund financial statements. The notes to the financial statements can be found on pages 33-70 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 71-125 of this report.

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**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 2006 as compared to 2005.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and Other Assets	\$45,023,053	\$47,591,100	\$11,770,551	\$10,652,867	\$56,793,604	\$58,243,967
Capital Assets,						
Non-Depreciable	26,190,547	21,907,684	6,090,585	8,446,439	32,281,132	30,354,123
Capital Assets,						
Depreciable, Net	125,888,981	140,295,729	71,258,472	68,425,623	197,147,453	208,721,352
<i>Total Assets</i>	197,102,581	209,794,513	89,119,608	87,524,929	286,222,189	297,319,442
<b>Liabilities</b>						
Current and Other Liabilities	13,953,631	13,518,768	1,937,842	1,267,627	15,891,473	14,786,395
Long-Term Liabilities:						
Due Within One Year	3,650,905	3,389,694	2,905,106	2,726,147	6,556,011	6,115,841
Due in More Than One Year	41,409,251	39,574,649	37,140,582	37,931,840	78,549,833	77,506,489
<i>Total Liabilities</i>	59,013,787	56,483,111	41,983,530	41,925,614	100,997,317	98,408,725
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	112,337,952	124,391,028	38,814,751	37,679,295	151,152,703	162,070,323
Restricted:						
Capital Projects	1,377,196	1,414,714	0	0	1,377,196	1,414,714
Debt Service	778,135	468,373	2,621,486	2,572,039	3,399,621	3,040,412
Replacement and Improvement	0	0	300,000	300,000	300,000	300,000
Utility Reserve	0	0	334,744	1,305,744	334,744	1,305,744
Capital Leases	0	1,117,874	0	0	0	1,117,874
Other Purposes	25,977,868	29,044,162	0	0	25,977,868	29,044,162
Unrestricted (Deficit)	(2,382,357)	(3,124,749)	5,065,097	3,742,237	2,682,740	617,488
<i>Total Net Assets</i>	\$138,088,794	\$153,311,402	\$47,136,078	\$45,599,315	\$185,224,872	\$198,910,717

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 \$185,224,872 with \$138,088,794 in governmental activities and \$47,136,078 in business-type activities as of December 31, 2006. The largest portion of the City's net assets (81.6 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 (16.9 percent) represents resources that are subject to restriction on how they can be used.



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The *Statement of Activities* shows the changes in net assets for the year ended December 31, 2006. Table 2 provides the detailed data. The change in net assets from 2005 to 2006 shows a decrease of \$13,685,845 with (\$15,222,608) in governmental net assets and \$1,536,763 in business-type activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$5,036,443	\$4,111,789	\$18,356,809	\$17,750,271	\$23,393,252	\$21,862,060
Operating Grants and Contributions	6,237,067	6,213,127	0	0	6,237,067	6,213,127
Capital Grants and Contributions	1,741,684	935,158	225,000	0	1,966,684	935,158
<i>Total Program Revenues</i>	13,015,194	11,260,074	18,581,809	17,750,271	31,597,003	29,010,345
General Revenues:						
Municipal Income Taxes	19,177,620	19,571,403	0	0	19,177,620	19,571,403
Property Taxes	4,251,792	4,470,610	0	0	4,251,792	4,470,610
Investment Income	690,650	274,833	104,026	56,689	794,676	331,522
Intergovernmental Revenue not Restricted to Specific Programs	5,719,663	5,250,113	0	0	5,719,663	5,250,113
Miscellaneous	793,154	366,726	56,615	45,502	849,769	412,228
<i>Total General Revenues</i>	30,632,879	29,933,685	160,641	102,191	30,793,520	30,035,876
<b>Total Revenues</b>	43,648,073	41,193,759	18,742,450	17,852,462	62,390,523	59,046,221
<b>Program Expense:</b>						
General Government	12,267,533	13,003,383	0	0	12,267,533	13,003,383
Security of Persons and Property	18,573,582	19,197,977	0	0	18,573,582	19,197,977
Transportation	14,679,897	14,881,296	0	0	14,679,897	14,881,296
Public Health	2,018,981	2,030,073	0	0	2,018,981	2,030,073
Community Environment	696,834	964,323	0	0	696,834	964,323
Economic Development	7,417,102	3,736,841	0	0	7,417,102	3,736,841
Leisure Time Activities	1,188,751	1,266,922	0	0	1,188,751	1,266,922
Interest and Fiscal Charges	2,028,001	1,893,394	0	0	2,028,001	1,893,394
Water Works	0	0	7,537,738	7,161,733	7,537,738	7,161,733
Water Pollution Control	0	0	9,667,949	8,294,509	9,667,949	8,294,509
<b>Total Expenses</b>	58,870,681	56,974,209	17,205,687	15,456,242	76,076,368	72,430,451
<b>Increase (Decrease) in Net Assets</b>	(15,222,608)	(15,780,450)	1,536,763	2,396,220	(13,685,845)	(13,384,230)
<b>Net Assets, January 1</b>	153,311,402	169,091,852	45,599,315	43,203,095	198,910,717	212,294,947
<b>Net Assets, December 31</b>	\$138,088,794	\$153,311,402	\$47,136,078	\$45,599,315	\$185,224,872	\$198,910,717

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**GOVERNMENTAL ACTIVITIES**

There are several revenue sources that fund the City's governmental activities. Total revenues for 2006 were \$43,648,073. Income tax revenues account for one of the largest sources of revenue - \$19,177,620 or 43.9 percent. The income tax rate for the General Fund of the City is 1.75 percent and was last amended in 2005. In 1992 an additional .25 percent was approved by the citizens of Lorain for the Police (money collected is in a separate Police Levy Fund).

Other major sources of revenue in governmental activities are: Operating Grants and Contributions of \$6,237,067 or 14.3 percent (this includes \$2,751,887 in Community Development block grants and HUD money, and \$2,247,316 in licenses plate and gas taxes), Unrestricted Grants and Entitlements of \$5,719,663 or 13.1 percent, Charges for Services of \$5,036,443 or 11.5 percent, Property and Other Taxes of \$4,251,792 or 9.7 percent and Capital Grants and Contributions of \$1,741,684 or 4.0 percent. The remaining 3.5 percent is made up of interest and miscellaneous revenues.

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

- 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 Riverbend Commerce Park (formerly named Colorado Industrial Park). In 2006, the City was awarded an Urban Redevelopment Loan of \$2.9 million from the Ohio Department of Development. The first lot in the Industrial Park has been sold creating 14 new jobs. The City 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 began in the April 2006. The roadway, water lines and sewer lines were completed in November 2006. Plans call for a 30,000 square foot "spec" building to be built on the site by spring of 2008. This project will allow for approximately 75 acres of light industrial and commercial development within the City.

Total governmental program expenses for 2006 were \$58,870,681. Security of persons and property accounted for program expenses of \$18,573,582 which is 31.5 percent of the total governmental activity expenses for the City. Transportation expenses were \$14,679,897 which is 24.9 percent and general government expenses were \$12,267,533 which is 20.8 percent.

The Police Department has a special income tax levy of .25 percent which is used for additional police officers and equipment. This money is utilized to purchase new vehicles, equipment that will better serve our community and provide extra police officers. There were ten new police cruisers and support vehicles purchased in 2006.

The Fire Department is funded with General Fund revenues. The Department continues to upgrade emergency fire and rescue equipment, as needed, to better serve the community. In 2006, the City took delivery two new pumper trucks for the Department and installed a new dispatch console.

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

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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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Government	\$12,267,533	\$13,003,383	\$10,396,972	\$10,817,227
Security of Persons and Property	18,573,582	19,197,977	17,694,335	18,754,622
Transportation	14,679,897	14,881,296	10,402,651	11,429,467
Public Health	2,018,981	2,030,073	73,749	728,943
Community Environment	696,834	964,323	(453,338)	22,340
Economic Development	7,417,102	3,736,841	4,562,126	828,268
Leisure Time Activities	1,188,751	1,266,922	1,150,991	1,239,874
Interest and Fiscal Charges	2,028,001	1,893,394	2,028,001	1,893,394
<i>Total</i>	<u>\$58,870,681</u>	<u>\$56,974,209</u>	<u>\$45,855,487</u>	<u>\$45,714,135</u>

**Business-Type Activities**

Utility services for water and sewer saw an overall increase in charges for services in 2006 (-4 percent for water and 11 percent for sewer). The City closely monitors the utility rate structure to insure it meets both the revenue bond indenture requirements and its operating needs including debt.

The Utilities Department completed three major projects in 2006 – the Kay Drive retention basin, the Tacoma & Pearl Avenue pump station and the Amherst Township relief sewer.

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

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

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

For the year ended December 31, 2006 the City's governmental funds had combined total revenues of \$45,832,728 and expenditures of \$50,329,405. The City's governmental funds had a combined ending fund balances of \$24,010,207. Of this total amount, \$5,946,577 or 24.8 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 \$1,061,018, while the total fund balance was \$1,229,024.

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The Community Development Fund accounts for State and Federal grants restricted for the acquisition of real property, administrative costs, public facilities and the rehabilitation of real property. For the year ended December 31, 2006, the City's Community Development Fund had total revenues of \$5,532,294 plus other financing sources of \$1,380,041 and expenditures of \$8,270,940. The City's Community Development Fund had an ending fund balance of \$20,432,321.

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, 2006, the City's General Obligation Bond Retirement Fund had total revenues of \$1,730,729 plus other financing sources of \$564,642 and expenditures of \$2,111,068. The City's General Obligation Bond Retirement Fund had an ending fund balance of \$188,401.

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, 2006, the City's Capital Improvements Fund had total revenues of \$1,716,380 plus other financing sources of \$1,425,028 and expenditures of \$3,925,347. The City's Capital Improvements Fund had an ending fund balance of (\$3,212,615). The deficit balance is due to the issuance of notes (See Note 3 of the Notes to the Basic Financial Statements).

***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.

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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	\$7,778,533	28.66 %
Security of Persons and Property	17,224,996	63.46
Public Health	239,980	0.88
Community Environment	623,758	2.30
Leisure Time Activities	940,153	3.46
Debt Service	336,103	1.24
<i>Totals</i>	<u>\$27,143,523</u>	<u>100.00 %</u>

There was a difference in revenue of \$1,393,103 between the final amended budget and the actual collected revenue. Although revenue for charges for services came in under the budgeted estimate by \$112,500, the income taxes collected exceeded the final budgeted estimate by \$1,473,040 due mainly to taxpayers making larger estimated tax payments than anticipated. The balance of the City's revenue sources exceeded the final amended budget by a total of \$32,563.

The negative variance in expenditures of \$2,479,804 between the final amended budget and the actual is the result of the police and fire departments exceeding their budgets for personal services by \$858,645 and \$883,215 respectively and the safety/service department going over budget by \$881,279 for contractual services which includes the City's payments for basic utilities. The remainder of the departments came in under the final amended budget by a combined \$143,335.

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, 2006 were \$229,428,585. Of this total, \$152,079,528 was for governmental activities and \$77,349,057 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.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$8,372,342	\$8,372,342	\$617,876	\$617,876	\$8,990,218	\$8,990,218
Construction in Progress	17,818,205	13,535,342	5,472,709	7,828,563	23,290,914	21,363,905
Buildings and Improvements	8,958,464	9,203,834	25,974,325	26,873,637	34,932,789	36,077,471
Machinery and Equipment	9,535,476	9,004,715	2,665,340	2,917,723	12,200,816	11,922,438
Furniture and Fixtures	59,080	58,043	0	0	59,080	58,043
Infrastructure:						
Streets and Sidewalks	107,335,961	122,029,137	0	0	107,335,961	122,029,137
Water Lines	0	0	15,317,893	15,745,439	15,317,893	15,745,439
Sewer Lines	0	0	27,300,914	22,888,824	27,300,914	22,888,824
<i>Total Capital Assets</i>	<u>\$152,079,528</u>	<u>\$162,203,413</u>	<u>\$77,349,057</u>	<u>\$76,872,062</u>	<u>\$229,428,585</u>	<u>\$239,075,475</u>

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

- \$2,514,405 – Riverbend Commerce Park – Infrastructure
- \$ 905,965 – Lighthouse Urban Renewal Area - Infrastructure
- \$ 817,953 – State Route 57 Rehabilitation and Repaving
- \$ 600,000 – Fire Equipment Purchase
- \$ 594,956 – East 36<sup>th</sup> St. Rehabilitation and Repaving
- \$ 506,604 – Street Equipment Purchase
- \$ 284,888 – Police Expansion
- \$ 266,150 – Henderson Dr. Storm Sewer

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

- \$1,254,801 – East Central Sanitary Relief Sewers
- \$ 458,000 – Riverbend Commerce Park Sanitary Pump Station
- \$ 350,395 – Westside Sanitary Relief Sewers
- \$ 184,239 – Wastewater Treatment Plant Trickling Filter Screw Pump
- \$ 131,794 – Kay Dr. Retention Basin

Of these major capital asset additions, all with the exception of the Street and Fire equipment purchases, State Route 57 rehabilitation and paving, and the Kay Dr. retention basin 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.

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**Debt Administration**

On December 31, 2006, the City of Lorain had \$77,670,722 in bonds, loans, and capital leases outstanding, with \$5,337,102 due within one year. Table 6 summarizes bonds, loans, and capital leases outstanding.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$26,222,206	\$25,998,851	\$1,363,756	\$1,510,777	\$27,585,962	\$27,509,628
Special Assessment Bonds	664,719	762,423	0	0	664,719	762,423
Revenue Bonds	0	0	9,147,462	10,106,765	9,147,462	10,106,765
OWDA Loans	0	0	28,225,785	27,730,126	28,225,785	27,730,126
HUD Section 108 Loans	5,900,000	6,345,000	0	0	5,900,000	6,345,000
OPWC Loans	2,159,087	1,873,525	0	0	2,159,087	1,873,525
ODOD Loan	1,240,041	0	0	0	1,240,041	0
ODOT Loans	953,999	0	0	0	953,999	0
Capital Leases	1,793,667	2,099,227	0	119,375	1,793,667	2,218,602
<i>Total</i>	<u>\$38,933,719</u>	<u>\$37,079,026</u>	<u>\$38,737,003</u>	<u>\$39,467,043</u>	<u>\$77,670,722</u>	<u>\$76,546,069</u>

The general obligation bonds include the following:

- \$1,510,000 Lighthouse Urban Renewal bond issued in 2006 for Phase I of the Lighthouse Village project.
- \$2,595,000 Energy Conservation bond issued in 2005 for City building upgrades.
- \$4,470,000 Riverfront Urban Renewal bond issued in 2003 for Phase II and III of the HarborWalk project.
- \$7,700,000 Safety/Service bond issued in 2002 for improvements to the Police department including a new jail, capital expenditures for the fire department (new west side fire station, aerial ladder truck and pumper), and park and cemetery improvements.
- \$4,440,000 Riverfront Urban Renewal bond issued in 2000 for Phase I of the HarborWalk project.
- The remainder of the bonds issued is for various purposes dating back to 1988.

The special assessment bonds consist of two street assessment projects.

The revenue bonds are for water (\$6,134,360) and sewer (\$3,013,102) and both were issued in 1995.

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

- \$1,687,495 from 2000 for the East Erie waterline replacement
- \$2,128,275 from 2001 for the Colorado Avenue/Root Road waterline replacement
- \$1,961,951 for the West Side waterline replacement
- \$3,675,020 from 2001 for the Tacoma Avenue relief sewer (SSO)
- \$7,725,508 from 2001 for the Idaho Avenue pump station (SSO)

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- \$3,444,629 from 2003 for the Central Lorain (4W) waterline replacement
- \$2,063,196 from 2004 for the Kay Drive retention basin
- \$1,179,303 from 2004 for the Pearl and Tacoma Ave. pump station (SSO)
- \$1,254,801 from 2006 for the East Central relief sewer (SSO)

The HUD Section 108 Loans are Community Development loans for the Head Start building (\$60,000 and \$660,000), Riverbend Commerce Park infrastructure (\$1,625,000), expansion of the City's existing business development revolving loan fund (\$1,500,000) and \$2,055,000 for acquisition of property and professional services for future economic development for the City.

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

The Ohio Department of Transportation (ODOT) state infrastructure bank loans are for the rehabilitation and repaving of State Route 57 (\$817,953) and East 36<sup>th</sup> St. (\$136,046).

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 City's overall legal ten and one-half percent debt limitation (voted and unvoted) on December 31, 2006 was \$110,612,977. The outstanding debt, after issuance of bonds subject to the ten and one-half percent limitation, is \$36,690,626. The difference of \$73,922,351 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 2003. The City's bond rating was subsequently upgraded to Baa2 in April 2007.

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 sixty percent (59 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 six years. The following table demonstrates the changes in employment of those major employers as of December 31, 2006.



**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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

Employer	Nature of Business	2002	2003	2004	2005	2006
Community Health Partners	Health Care	2,100	1,803	1,803	1,865	1,853
Lorain City School District	Education	1,200	1,493	1,222	1,150	1,206
Industrias CH, S.A. de C.V. (REP) *	Steel Manufacturing	1,000	1,073	1,147	1,100	1,100
City of Lorain	Government	534	539	530	545	545
Lorain Tubular	Steel Manufacturing	500	410	428	485	518
Emerson Network Power	Telecommunications	585	537	396	308	292
The Nord Center	Health Care	230	230	244	240	243
CAMACO, Inc	Automotive Seating Systems	0	262	300	211	218
Lake Point Health Center	Health Care	0	0	0	0	208
Lorain National Bank	Financial Institution	305	218	227	200	185

\* Formerly Republic Engineered Products (REP)

The December 2006 unemployment rate for the City was 6.7 percent while the unemployment rate for Lorain County was 5.7 percent and the State of Ohio was 5.4 percent (based on the Ohio Job & Family Services, Office of Workforce Development).

On a positive note, the following projects will create new jobs for the City – thus increasing income tax collections and housing:

- **Lighthouse Village** - a 65 acre retail development of an approximately 500,000 square feet anchored by Kohl's Department Store and Home Depot. This project is expected to generate approximately \$40 million in private investment and \$100 million in annual sales. Lighthouse Village will create 950 new jobs with an annual payroll of \$17 million. Kohl's Department Store opened October 1, 2006 and Home Depot opened February 1, 2007. Lighthouse Village, LLC is currently in negotiations with other retailers and restaurants to locate on this site.
- The City has received and adopted the **Lorain West Urban Renewal Plan**. The Urban Renewal Plan will allow the City to work aggressively with the private market to bring this land back into active use since Ford has announced the sale of the facility in December 2006. It is hoped this will attract new jobs to this site starting in 2007.
  - This plan area includes the Amherst Development Co. LLC. (aka Heritage Development) with their 200 plus housing subdivision and retail center of approximately 250,000 square feet, of which half would be in the City of Lorain. Construction has begun on a Target Store with a planned opening of late summer or early fall 2007. The Target store is located in the City of Amherst portion of this development. Plans call for three more retail stores to be built in the Lorain portion of the site, along with two out lots in the Lorain section.

**City of Lorain, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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- The Plan Area also includes the Ford Assembly Plant which was closed in December 2005. The Urban Renewal Plan allowed the City to work aggressively with the private market to bring this land back into active use. The plan provides for new zoning classifications that can be readily adopted, and puts in place a Tax Increment Financing (TIF) district to allow the City to work with the developer to make the necessary public improvements to allow the 225 plus acres to be subdivided and marketed quickly.

In December 2006 the property was sold to Industrial Realty Group (IRG). IRG is a California developer that specializes in transforming old industrial sites. IRG is currently working with three companies to relocate to the site – one in July 2007 and the other two in the fall of 2007. IRG is also working with seven other potential companies to locate at the site.

- ***Riverbend Commerce Park*** (formerly named Colorado Industrial Park): A current tenant of the commerce park is moving ahead with plan to construct a 99,999 square foot addition which will created 999 additional jobs. Plans also call for a 30,000 square foot “spec” building to be built on the site by spring of 2008. This project will allow for approximately 75 acres of light industrial and commercial development within the City.

The City ended 2006 with a \$558,086 cash deficit in the general fund and the budget for 2007 was passed with the intent of reducing this deficit by \$300,000.

### **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](mailto:Ron_Mantini@cityoflorain.org)

or

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

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



## **Basic Financial Statements**

**City of Lorain, Ohio**  
*Statement of Net Assets*  
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$11,071,520	\$5,060,949	\$16,132,469
Cash and Cash Equivalents:			
In Segregated Accounts	48,055	0	48,055
With Trustee	0	2,738,914	2,738,914
With Fiscal Agents	155,444	0	155,444
Accrued Interest Receivable	2,468	0	2,468
Accounts Receivable	29,558	2,842,570	2,872,128
Inventory Held for Resale	1,436,927	0	1,436,927
Materials and Supplies Inventory	691,097	542,764	1,233,861
Internal Balances	(19,273)	19,273	0
Intergovernmental Receivable	7,473,309	337,009	7,810,318
Prepaid Items	31,110	26,375	57,485
Municipal Income Taxes Receivable	2,510,476	0	2,510,476
Property and Other Taxes Receivable	4,749,388	0	4,749,388
Special Assessments Receivable	759,074	0	759,074
Loans Receivable	15,598,418	0	15,598,418
Deferred Charges	485,482	202,697	688,179
Capital Assets, Non-Depreciable	26,190,547	6,090,585	32,281,132
Capital Assets, Depreciable, Net	125,888,981	71,258,472	197,147,453
<i>Total Assets</i>	<u>197,102,581</u>	<u>89,119,608</u>	<u>286,222,189</u>
<b>Liabilities</b>			
Accounts Payable	470,587	489,202	959,789
Contracts Payable	115,316	627,092	742,408
Accrued Wages and Benefits	410,571	127,731	538,302
Matured Compensated Absences Payable	589	37,474	38,063
Intergovernmental Payable	1,612,745	387,614	2,000,359
Deferred Revenue	4,579,065	0	4,579,065
Retainage Payable	0	145,327	145,327
Accrued Interest Payable	324,150	123,402	447,552
Notes Payable	5,900,000	0	5,900,000
Claims Payable	540,608	0	540,608
Long-Term Liabilities:			
Due Within One Year	3,650,905	2,905,106	6,556,011
Due In More Than One Year	41,409,251	37,140,582	78,549,833
<i>Total Liabilities</i>	<u>59,013,787</u>	<u>41,983,530</u>	<u>100,997,317</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	112,337,952	38,814,751	151,152,703
Restricted for:			
Capital Projects	1,377,196	0	1,377,196
Debt Service	778,135	2,621,486	3,399,621
Community Development	21,519,172	0	21,519,172
Police Levy	1,416,719	0	1,416,719
Streets	1,126,833	0	1,126,833
Law Enforcement	641,234	0	641,234
Replacement and Improvement	0	300,000	300,000
Utility Reserve	0	334,744	334,744
Other Purposes	1,273,910	0	1,273,910
Unrestricted (Deficit)	(2,382,357)	5,065,097	2,682,740
<i>Total Net Assets</i>	<u>\$138,088,794</u>	<u>\$47,136,078</u>	<u>\$185,224,872</u>

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$12,267,533	\$1,870,561	\$0	\$0
Security of Persons and Property	18,573,582	527,665	351,582	0
Transportation	14,679,897	31,289	2,504,273	1,741,684
Public Health	2,018,981	1,540,597	404,635	0
Community Environment	696,834	925,482	224,690	0
Economic Development	7,417,102	103,089	2,751,887	0
Leisure Time Activities	1,188,751	37,760	0	0
Interest and Fiscal Charges	2,028,001	0	0	0
<i>Total Governmental Activities</i>	<u>58,870,681</u>	<u>5,036,443</u>	<u>6,237,067</u>	<u>1,741,684</u>
<b>Business-Type Activities</b>				
Water Works	7,537,738	8,145,916	0	0
Water Pollution Control	9,667,949	10,210,893	0	225,000
<i>Total Business-Type Activities</i>	<u>17,205,687</u>	<u>18,356,809</u>	<u>0</u>	<u>225,000</u>
<i>Total</i>	<u>\$76,076,368</u>	<u>\$23,393,252</u>	<u>\$6,237,067</u>	<u>\$1,966,684</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
(\$10,396,972)	\$0	(\$10,396,972)
(17,694,335)	0	(17,694,335)
(10,402,651)	0	(10,402,651)
(73,749)	0	(73,749)
453,338	0	453,338
(4,562,126)	0	(4,562,126)
(1,150,991)	0	(1,150,991)
(2,028,001)	0	(2,028,001)
(45,855,487)	0	(45,855,487)
0	608,178	608,178
0	767,944	767,944
0	1,376,122	1,376,122
(45,855,487)	1,376,122	(44,479,365)
2,621,152	0	2,621,152
270,002	0	270,002
270,001	0	270,001
1,090,637	0	1,090,637
16,809,771	0	16,809,771
2,367,849	0	2,367,849
5,719,663	0	5,719,663
690,650	104,026	794,676
793,154	56,615	849,769
30,632,879	160,641	30,793,520
(15,222,608)	1,536,763	(13,685,845)
153,311,402	45,599,315	198,910,717
<u>\$138,088,794</u>	<u>\$47,136,078</u>	<u>\$185,224,872</u>

**City of Lorain, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2006*

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$0	\$4,209,828	\$188,401	\$1,242,565	\$4,961,814	\$10,602,608
Cash and Cash Equivalents						
In Segregated Accounts	48,055	0	0	0	0	48,055
With Fiscal Agents	0	155,444	0	0	0	155,444
Accounts Receivable	0	0	0	0	29,558	29,558
Accrued Interest Receivable	2,468	0	0	0	0	2,468
Inventory Held for Resale	0	1,436,927	0	0	0	1,436,927
Materials and Supplies Inventory	81,291	2,807	0	0	133,011	217,109
Interfund Receivable	175,957	0	0	558,086	23,999	758,042
Intergovernmental Receivable	3,701,581	1,969,398	55,000	725,304	1,022,026	7,473,309
Prepaid Items	15,910	8,876	0	0	6,324	31,110
Municipal Income Taxes Receivable	2,189,246	0	0	0	321,230	2,510,476
Property and Other Taxes Receivable	3,072,001	0	1,048,365	0	629,022	4,749,388
Special Assessments Receivable	185,069	0	0	0	574,005	759,074
Loans Receivable	0	15,381,953	216,465	0	0	15,598,418
<b>Total Assets</b>	<b>\$9,471,578</b>	<b>\$23,165,233</b>	<b>\$1,508,231</b>	<b>\$2,525,955</b>	<b>\$7,700,989</b>	<b>\$44,371,986</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$278,206	\$30,135	\$0	\$0	\$131,791	\$440,132
Contracts Payable	0	112,430	0	2,886	0	115,316
Accrued Wages and Benefits	316,877	20,970	0	0	63,676	401,523
Matured Compensated Absences Payable	0	0	0	0	589	589
Intergovernmental Payable	1,273,993	74,305	0	0	228,627	1,576,925
Interfund Payable	583,790	962	0	0	0	584,752
Claims Payable	21,196	0	0	0	0	21,196
Accrued Interest Payable	0	10,358	0	54,380	0	64,738
Notes Payable	0	944,000	0	4,956,000	0	5,900,000
Deferred Revenue	5,768,492	1,539,752	1,319,830	725,304	1,903,230	11,256,608
<b>Total Liabilities</b>	<b>8,242,554</b>	<b>2,732,912</b>	<b>1,319,830</b>	<b>5,738,570</b>	<b>2,327,913</b>	<b>20,361,779</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	168,006	1,128,693	0	242,994	265,677	1,805,370
Reserved for Loans	0	14,665,889	0	0	0	14,665,889
Reserved for Inventory Held for Resale	0	1,436,927	0	0	0	1,436,927
Reserved for Debt Service	0	155,444	0	0	0	155,444
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	1,061,018	0	0	0	0	1,061,018
Special Revenue Funds	0	3,045,368	0	0	3,989,442	7,034,810
Debt Service Funds	0	0	188,401	0	0	188,401
Capital Projects Funds	0	0	0	(3,455,609)	1,117,957	(2,337,652)
<b>Total Fund Balances (Deficit)</b>	<b>1,229,024</b>	<b>20,432,321</b>	<b>188,401</b>	<b>(3,212,615)</b>	<b>5,373,076</b>	<b>24,010,207</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,471,578</b>	<b>\$23,165,233</b>	<b>\$1,508,231</b>	<b>\$2,525,955</b>	<b>\$7,700,989</b>	<b>\$44,371,986</b>

See accompanying notes to the basic financial statements



**City of Lorain, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006*

<b>Total Governmental Fund Balances</b>	<b>\$24,010,207</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	152,079,528
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Special Assessments	\$759,074
Delinquent Property Taxes	386,788
Intergovernmental	5,165,077
Municipal Income Taxes	<u>366,604</u>
<b>Total</b>	<b>6,677,543</b>
Bond issuance costs will be amortized over the life of the bonds on the statement of net assets	485,482
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	54,385
Capital Assets	(202,520)
Bonds Payable	186,803
Compensated Absences	134,017
Internal Balances	<u>(17,083)</u>
<b>Total</b>	<b>155,602</b>
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due	(259,412)
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	(26,201,525)
Special Assessment Bonds	(664,719)
HUD Section 108 Loans	(5,900,000)
OPWC Loans	(2,159,087)
Other Loans	(2,194,040)
Compensated Absences	(6,126,437)
Capital Leases	(1,793,667)
Bond Premium	<u>(20,681)</u>
<b>Total</b>	<b><u>(45,060,156)</u></b>
 <i>Net Assets of Governmental Activities</i>	 <b><u>\$138,088,794</u></b>

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, 2006*

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property and Other Taxes	\$2,860,187	\$0	\$1,090,813	\$0	\$538,307	\$4,489,307
Municipal Income Taxes	16,813,147	0	0	0	2,368,412	19,181,559
Charges for Services	526,443	0	0	0	1,097,068	1,623,511
Licenses and Permits	1,062,446	97,282	0	0	271,670	1,431,398
Fines and Forfeitures	1,124,230	0	0	0	503,607	1,627,837
Intergovernmental	5,524,746	5,130,722	132,449	1,716,380	3,410,712	15,915,009
Special Assessments	0	0	0	0	82,614	82,614
Interest	436,813	132,313	99,235	0	22,289	690,650
Miscellaneous	181,925	171,977	408,232	0	28,709	790,843
<i>Total Revenues</i>	<u>28,529,937</u>	<u>5,532,294</u>	<u>1,730,729</u>	<u>1,716,380</u>	<u>8,323,388</u>	<u>45,832,728</u>
<b>Expenditures</b>						
Current:						
General Government	7,478,488	0	66,416	0	238,452	7,783,356
Security of Persons and Property	16,903,763	0	0	0	2,254,540	19,158,303
Transportation	0	0	0	0	2,770,818	2,770,818
Public Health	233,618	0	0	0	1,774,124	2,007,742
Community Environment	624,256	0	0	0	168,411	792,667
Economic Development	0	7,386,562	0	0	0	7,386,562
Leisure Time Activities	939,327	0	0	0	63,115	1,002,442
Capital Outlay	0	0	0	3,798,382	1,238,849	5,037,231
Debt Service:						
Principal Retirement	193,366	445,000	1,075,617	0	583,120	2,297,103
Interest and Fiscal Charges	142,737	439,378	969,035	126,965	332,847	2,010,962
Bond Issuance Costs	0	0	0	0	82,219	82,219
<i>Total Expenditures</i>	<u>26,515,555</u>	<u>8,270,940</u>	<u>2,111,068</u>	<u>3,925,347</u>	<u>9,506,495</u>	<u>50,329,405</u>
<i>Excess of Revenues Under Expenditures</i>	<u>2,014,382</u>	<u>(2,738,646)</u>	<u>(380,339)</u>	<u>(2,208,967)</u>	<u>(1,183,107)</u>	<u>(4,496,677)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets	0	0	0	0	20,128	20,128
Bonds Issued	0	0	0	0	1,510,000	1,510,000
Loans Received	0	1,240,041	0	1,412,882	0	2,652,923
Premium on Debt Issuance	0	0	0	0	4,628	4,628
Transfers In	126,563	140,000	564,642	12,146	905,885	1,749,236
Transfers Out	(1,287,223)	0	0	0	(462,013)	(1,749,236)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,160,660)</u>	<u>1,380,041</u>	<u>564,642</u>	<u>1,425,028</u>	<u>1,978,628</u>	<u>4,187,679</u>
<i>Net Change in Fund Balances</i>	853,722	(1,358,605)	184,303	(783,939)	795,521	(308,998)
<i>Fund Balances (Deficit) Beginning of Year</i>						
- Restated (Note 3)	375,302	21,790,926	4,098	(2,428,676)	4,577,555	24,319,205
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,229,024</u>	<u>\$20,432,321</u>	<u>\$188,401</u>	<u>(\$3,212,615)</u>	<u>\$5,373,076</u>	<u>\$24,010,207</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, 2006*

Net Change in Fund Balances - Total Governmental Funds (308,998)

*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	\$7,232,209	
Current Year Depreciation	<u>(17,118,113)</u>	
Total		(9,885,904)

In the statement of activities, a gain or loss is reported for each disposal of capital assets (237,981)

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

Delinquent Property Taxes	(237,515)	
Intergovernmental	(2,216,595)	
Municipal Income Taxes	(3,939)	
Special Assessments	<u>98,283</u>	
Total		(2,359,766)

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

Bonds Issued	(1,510,000)	
Bond Premium	(4,628)	
Loans Received	<u>(2,652,923)</u>	
Total		(4,167,551)

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	1,991,543	
Capital Lease Principal	<u>305,560</u>	
Total		2,297,103

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

Accrued Interest	6,645	
Amortization of Bond Premium	998	
Amortization of Bond Issuance Costs	<u>(24,682)</u>	
Total		(17,039)

Bond issuance costs are recognized as deferred charges and will be amortized over the life of the bonds on the statement of activities 82,219

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		(241,120)
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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	(505,018)	
Capital Assets, Net	4,720	
Compensated Absences	(911)	
Interest Expense	10,311	
Internal Balance	<u>107,327</u>	
Total		<u>(383,571)</u>

*Change in Net Assets of Governmental Activities* (15,222,608)

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Taxes	\$2,862,967	\$2,862,967	\$2,860,187	(\$2,780)
Municipal Income Taxes	15,898,328	15,898,328	17,371,368	1,473,040
Charges for Services	623,928	642,528	530,028	(112,500)
Licenses and Permits	1,122,550	1,129,335	1,062,446	(66,889)
Fines and Forfeitures	1,225,000	1,098,589	1,175,409	76,820
Intergovernmental	5,240,228	5,240,228	5,186,510	(53,718)
Interest	100,500	332,518	424,074	91,556
Miscellaneous	71,355	194,351	181,925	(12,426)
<i>Total Revenues</i>	<u>27,144,856</u>	<u>27,398,844</u>	<u>28,791,947</u>	<u>1,393,103</u>
<b>Expenditures:</b>				
Current:				
General Government	7,044,587	6,990,377	7,778,533	(788,156)
Security of Persons and Property	14,898,345	15,528,912	17,224,996	(1,696,084)
Public Health Services	283,531	243,061	239,980	3,081
Community Environment	631,232	625,226	623,758	1,468
Leisure Time Activities	894,428	940,039	940,153	(114)
Debt Service:				
Principal Retirement	193,366	193,366	193,366	0
Interest and Fiscal Charges	142,738	142,738	142,737	1
<i>Total Expenditures</i>	<u>24,088,227</u>	<u>24,663,719</u>	<u>27,143,523</u>	<u>(2,479,804)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>3,056,629</u>	<u>2,735,125</u>	<u>1,648,424</u>	<u>(1,086,701)</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	310,128	1,060,128	810,128	(250,000)
Advances Out	(809,000)	(1,425,957)	(1,425,957)	0
Transfers In	133,703	271,703	126,563	(145,140)
Transfers Out	(1,344,230)	(1,302,236)	(1,287,223)	15,013
<i>Total Other Financing Sources (Uses)</i>	<u>(1,709,399)</u>	<u>(1,396,362)</u>	<u>(1,776,489)</u>	<u>(380,127)</u>
<i>Net Change in Fund Balance</i>	1,347,230	1,338,763	(128,065)	(1,466,828)
<i>Fund Balance (Deficit) Beginning of Year</i>	(2,063,527)	(2,063,527)	(2,063,527)	0
<i>Prior Year Encumbrances Appropriated</i>	839,357	839,357	839,357	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$123,060</u>	<u>\$114,593</u>	<u>(\$1,352,235)</u>	<u>(\$1,466,828)</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$6,763,900	\$9,447,581	\$6,076,399	(\$3,371,182)
Licenses and Permits	0	30,000	97,282	67,282
Interest	48,965	48,965	124,878	75,913
Miscellaneous	196,650	254,658	171,977	(82,681)
<i>Total Revenues</i>	<u>7,009,515</u>	<u>9,781,204</u>	<u>6,470,536</u>	<u>(3,310,668)</u>
<b>Expenditures:</b>				
Current:				
Economic Development	8,543,342	14,793,926	8,161,328	6,632,598
Debt Service:				
Principal Retirement	905,496	905,496	445,000	460,496
Interest and Fiscal Charges	486,222	486,222	436,222	50,000
<i>Total Expenditures</i>	<u>9,935,060</u>	<u>16,185,644</u>	<u>9,042,550</u>	<u>7,143,094</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,925,545)</u>	<u>(6,404,440)</u>	<u>(2,572,014)</u>	<u>3,832,426</u>
<b>Other Financing Sources:</b>				
Loans Received	0	2,300,000	1,240,041	(1,059,959)
Notes Issued	0	280,000	280,000	0
Transfers In	214,174	771,674	140,000	(631,674)
<i>Total Other Financing Sources</i>	<u>214,174</u>	<u>3,351,674</u>	<u>1,660,041</u>	<u>(1,691,633)</u>
<i>Net Change in Fund Balance</i>	<u>(2,711,371)</u>	<u>(3,052,766)</u>	<u>(911,973)</u>	<u>2,140,793</u>
<i>Fund Balance Beginning of Year</i>	2,790,571	2,790,571	2,790,571	0
Prior Year Encumbrances Appropriated	972,961	972,961	972,961	0
<i>Fund Balance End of Year</i>	<u>\$1,052,161</u>	<u>\$710,766</u>	<u>\$2,851,559</u>	<u>\$2,140,793</u>

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2006*

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
<b>Assets</b>				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,172,584	\$3,253,621	\$4,426,205	\$468,912
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	483,929	150,815	634,744	0
Accounts Receivable	1,185,920	1,656,650	2,842,570	0
Materials and Supplies Inventory	366,980	175,784	542,764	473,988
Interfund Receivable	640,215	1,975	642,190	477
Intergovernmental Receivable	0	337,009	337,009	0
Prepaid Items	26,366	9	26,375	0
<i>Total Current Assets</i>	<u>3,875,994</u>	<u>5,575,863</u>	<u>9,451,857</u>	<u>943,377</u>
<i>Noncurrent Assets</i>				
Restricted Assets:				
Cash and Cash Equivalents With Trustee	1,265,132	1,473,782	2,738,914	0
Unamortized Bond Issuance Costs	130,002	72,695	202,697	0
Non-Depreciable Capital Assets	373,755	5,716,830	6,090,585	0
Depreciable Capital Assets, Net	23,577,475	47,680,997	71,258,472	202,520
<i>Total Noncurrent Assets</i>	<u>25,346,364</u>	<u>54,944,304</u>	<u>80,290,668</u>	<u>202,520</u>
<i>Total Assets</i>	<u>29,222,358</u>	<u>60,520,167</u>	<u>89,742,525</u>	<u>1,145,897</u>
<b>Liabilities</b>				
<i>Current Liabilities</i>				
Accounts Payable	239,044	250,158	489,202	30,455
Contracts Payable	0	627,092	627,092	0
Accrued Wages and Benefits	52,966	74,765	127,731	9,048
Matured Compensated Absences Payable	0	37,474	37,474	0
Intergovernmental Payable	179,987	207,627	387,614	35,820
Accrued Interest Payable	82,393	41,009	123,402	0
Retainage Payable	0	145,327	145,327	0
Interfund Payable	0	640,000	640,000	175,957
Claims Payable	0	0	0	519,412
Compensated Absences Payable	95,396	109,337	204,733	55,337
Bonds Payable - Current	621,327	609,454	1,230,781	17,277
OWDA Loans - Current	381,204	1,088,388	1,469,592	0
<i>Total Current Liabilities</i>	<u>1,652,317</u>	<u>3,830,631</u>	<u>5,482,948</u>	<u>843,306</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>				
Compensated Absences Payable	506,718	597,234	1,103,952	78,680
Bonds Payable	6,666,445	2,613,992	9,280,437	169,526
OWDA Loans	9,206,798	17,549,395	26,756,193	0
<i>Total Long-Term Liabilities</i>	<u>16,379,961</u>	<u>20,760,621</u>	<u>37,140,582</u>	<u>248,206</u>
<i>Total Liabilities</i>	<u>18,032,278</u>	<u>24,591,252</u>	<u>42,623,530</u>	<u>1,091,512</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	7,205,458	31,609,293	38,814,751	15,717
Restricted For:				
Debt Service	1,187,959	1,433,527	2,621,486	0
Replacement and Improvement	150,000	150,000	300,000	0
Utility Reserve	333,929	815	334,744	0
Unrestricted	2,312,734	2,735,280	5,048,014	38,668
<i>Total Net Assets</i>	<u>\$11,190,080</u>	<u>\$35,928,915</u>	<u>47,118,995</u>	<u>\$54,385</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			<u>17,083</u>	
		Net assets business-type activities	<u>\$47,136,078</u>	

**City of Lorain, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2006*

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Works</u>	<u>Water Pollution Control</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Operating Revenues</b>				
Charges for Services	\$7,352,224	\$9,459,873	\$16,812,097	\$5,239,271
Water/Sewer Charges Pledged as Security for Revenue Bonds	793,692	751,020	1,544,712	0
Miscellaneous	45,319	11,296	56,615	7,730
<i>Total Operating Revenues</i>	<u>8,191,235</u>	<u>10,222,189</u>	<u>18,413,424</u>	<u>5,247,001</u>
<b>Operating Expenses</b>				
Personal Services	3,426,805	4,088,317	7,515,122	637,782
Materials and Supplies	795,447	533,218	1,328,665	821,457
Contractual Services	730,170	1,501,816	2,231,986	11,419
Claims	0	0	0	4,258,779
Basic Utilities	634,727	724,555	1,359,282	0
Other Operating Expenses	242,787	245,161	487,948	7,551
Depreciation	758,638	1,663,115	2,421,753	4,720
<i>Total Operating Expenses</i>	<u>6,588,574</u>	<u>8,756,182</u>	<u>15,344,756</u>	<u>5,741,708</u>
<i>Operating Income (Loss)</i>	<u>1,602,661</u>	<u>1,466,007</u>	<u>3,068,668</u>	<u>(494,707)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Intergovernmental	0	225,000	225,000	0
Interest	46,787	57,239	104,026	0
Interest and Fiscal Charges	(896,775)	(856,829)	(1,753,604)	(10,311)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(849,988)</u>	<u>(574,590)</u>	<u>(1,424,578)</u>	<u>(10,311)</u>
<i>Change in Net Assets</i>	752,673	891,417	1,644,090	(505,018)
<i>Net Assets Beginning of Year</i>	<u>10,437,407</u>	<u>35,037,498</u>		<u>559,403</u>
<i>Net Assets End of Year</i>	<u>\$11,190,080</u>	<u>\$35,928,915</u>		<u>\$54,385</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 (107,327)

Change in net assets business-type activities \$1,536,763

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2006

	Business-Type Activities			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$8,266,398	\$10,063,983	\$18,330,381	\$0
Cash Received from Transactions with Other Funds	0	0	0	5,419,112
Cash Payments for Goods and Services	(2,352,684)	(2,417,199)	(4,769,883)	(950,644)
Cash Payments for Employee Services and Benefits	(3,385,356)	(3,979,525)	(7,364,881)	(631,210)
Cash Payments for Claims	0	0	0	(4,078,514)
Other Operating Revenues	45,319	11,296	56,615	7,730
Other Cash Payments	0	0	0	(157)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>2,573,677</u>	<u>3,678,555</u>	<u>6,252,232</u>	<u>(233,683)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Advances In	625,000	1,265,000	1,890,000	175,957
Advances Out	(890,000)	(250,000)	(1,140,000)	(310,128)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(265,000)</u>	<u>1,015,000</u>	<u>750,000</u>	<u>(134,171)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of Capital Assets	(101,549)	(2,797,199)	(2,898,748)	0
OWDA Loans Received	0	1,746,188	1,746,188	0
Principal Paid on Bonds	(130,404)	(16,617)	(147,021)	(14,757)
Interest Paid on Bonds	(70,576)	(11,610)	(82,186)	(10,311)
Principal Paid on Revenue Bonds	(465,000)	(560,000)	(1,025,000)	0
Interest Paid on Revenue Bonds	(331,971)	(190,640)	(522,611)	0
Principal Paid on OWDA Loans	(362,280)	(888,249)	(1,250,529)	0
Interest Paid on OWDA Loans	(479,476)	(582,472)	(1,061,948)	0
Principal Paid on Capital Leases	0	(119,375)	(119,375)	0
Interest Paid on Capital Leases	0	(6,123)	(6,123)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,941,256)</u>	<u>(3,426,097)</u>	<u>(5,367,353)</u>	<u>(25,068)</u>
<b>Cash Flows from Investing Activities</b>				
Interest	46,787	57,239	104,026	0
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	414,208	1,324,697	1,738,905	(392,922)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,507,437</u>	<u>3,553,521</u>	<u>6,060,958</u>	<u>861,834</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,921,645</u></u>	<u><u>\$4,878,218</u></u>	<u><u>\$7,799,863</u></u>	<u><u>\$468,912</u></u>

(continued)



**City of Lorain, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2006

	Business-Type Activities			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	\$1,602,661	\$1,691,007	\$3,293,668	(\$494,707)
<i>Adjustments:</i>				
Depreciation	758,638	1,663,115	2,421,753	4,720
(Increase) Decrease in Assets:				
Accounts Receivable	63,052	(98,313)	(35,261)	0
Interfund Receivable	(193)	(710)	(903)	179,841
Intergovernmental Receivable	0	(272,887)	(272,887)	0
Materials and Supplies Inventory	86,845	(17,700)	69,145	(111,027)
Prepaid Items	5,697	5,118	10,815	112
Increase (Decrease) in Liabilities:				
Accounts Payable	41,514	44,303	85,817	616
Contracts Payable	0	529,961	529,961	0
Accrued Wages and Benefits	(7,535)	9,843	2,308	(121)
Claims Payable	0	0	0	180,265
Matured Compensated Absences Payable	(1,596)	31,106	29,510	0
Compensated Absences Payable	48,068	69,673	117,741	(911)
Interfund Payable	(25,986)	(12,173)	(38,159)	0
Intergovernmental Payable	2,512	(1,830)	682	7,529
Retainage Payable	0	38,042	38,042	0
<i>Total Adjustments</i>	971,016	1,987,548	2,958,564	261,024
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$2,573,677</u>	<u>\$3,678,555</u>	<u>\$6,252,232</u>	<u>(\$233,683)</u>

See accompanying notes to the basic financial statements

**City of Lorain, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2006*

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$523,936</u>
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**Liabilities**

Deposits Held and Due to Others	<u>\$523,936</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, 2006*

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

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

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

***Reporting Entity***

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

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

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

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

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

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

***A. Basis of Presentation***

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

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

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

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

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***B. Fund Accounting***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 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**  
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increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is the Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by Council. The legal level of budgetary control is at the object level within each department for all funds. Any budgetary modifications at this level may only be made by resolution of the City Council.

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

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

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

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

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

The City has segregated bank accounts for monies held separate from the City's bank accounts. These interest-bearing deposit accounts are presented on the statement of net assets and balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. The cash of the Municipal Court is included in this line item. The balance presented on the statement of net assets and balance sheet as restricted assets: "cash and cash equivalents with fiscal agent" represents deposits for future debt service payments. The City entered into a trust agreement with a commercial bank to meet the requirements of the revenue bonds indenture agreements to service bonded debt as principal and interest come due and to meet reserve requirements. The balances of these accounts are presented on the statement of net assets and balance sheet as 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 2006, investments were limited to certificates of deposit, repurchase agreements, mutual funds and STAROhio. Investments are reported at fair value, which is based on quoted market prices, with the exception



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of repurchase agreements, which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to \$436,813 which was assigned from other City funds.

***G. Inventory***

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

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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***

On the government-wide statements and in the enterprise funds, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method since the results are not significantly different from the effective interest method. On the governmental fund statements bond issuance costs are expended when incurred.

***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

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business-type activities column of the government-wide statement of net assets and in the respective funds. Capital assets used by the internal service funds are reported in the governmental activities column of the statement of net assets and in the internal service column on the statement of fund net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand 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, storm sewers, bridges, water and sewer lines and includes infrastructure acquired prior to December 31, 1980.

***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.

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

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

***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 judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***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, loans receivable which represent revolving loan fund monies (community development block grant) loaned to local businesses, inventory held for resale, and amounts held in reserve for future debt service requirements.

***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 \$31,389,429 of restricted net assets, of which \$648,561 is restricted by enabling legislation.

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

The City applies restricted resources when an expense is incurred for purposes for which both restricted and

**City of Lorain, Ohio**  
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unrestricted net assets are available.

***Q. Internal Activity***

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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 – Change in Accounting Principles and Restatement of Prior Year’s Fund Balance**

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

For 2006 the City has implemented GASB Statement No. 47, “Accounting for Termination Benefits”. GASB Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting

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liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

The implementation of GASB Statement No. 47 did not affect the presentation of the financial statements of the City.

***B. Restatement of Prior Year's Fund Balance***

The City has restated the beginning fund balances of the general obligation bond retirement and capital improvements funds to correctly show the liability for notes payable and the related accrued interest payable in the fund that originally received and used the proceeds of the notes.

The correction for the notes payable and accrued interest had the following effect on fund balance at December 31, 2005:

	General Obligation Bond Retirement	Capital Improvements
Fund Balance (Deficit), December 31, 2005	(\$4,879,317)	\$2,454,739
Accrued Interest Payable	52,415	(52,415)
Notes Payable	4,831,000	(4,831,000)
Restated Fund Balance (Deficit), December 31, 2005	\$4,098	(\$2,428,676)

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

***A. Fund Deficits***

Fund balances at December 31, 2006 included the following individual fund balance deficits:

Major Fund:	Deficit
Capital Improvements	\$3,212,615
<b>Nonmajor Funds:</b>	
Special Revenue Fund:	
Health Services	52,592
Internal Service Fund:	
Hospitalization	79,486

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

**B. Legal Compliance**

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

<u>Major Funds:</u>	<u>Final</u> <u>Appropriations</u>	<u>Expenditures Plus</u> <u>Encumbrances</u>	<u>Excess</u>
<b>General Fund:</b>			
Civil Service			
Wages and Benefits	\$78,830	\$78,881	(\$51)
Mayor			
Wages and Benefits	167,024	167,033	(9)
Electrical Department			
Wages and Benefits	441,057	441,332	(275)
Safety/Service Department			
Contractual Services	526,600	1,407,879	(881,279)
Data Processing			
Wages and Benefits	158,437	158,545	(108)
Police Department			
Wages and Benefits	7,207,077	8,065,722	(858,645)
Fire Department			
Wages and Benefits	6,328,171	7,211,386	(883,215)
Building Department			
Wages and Benefits	582,264	583,482	(1,218)
Contractual Services	15,135	15,221	(86)
Parks Department			
Wages and Benefits	701,764	706,588	(4,824)
Materials and Supplies	153,025	153,697	(672)
Water Pollution Control			
Capital Outlay	2,141,942	3,556,107	(1,414,165)
<b>Nonmajor Funds:</b>			
Garage			
Wages and Benefits	602,809	612,834	(10,025)

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	\$558,086

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**Note 5 - Budgetary Basis of Accounting**

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

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

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

**Net Change in Fund Balance**

	<u>General</u>	<u>Community Development</u>
GAAP Basis	\$853,722	(\$1,358,605)
Net Adjustment for Revenue Accruals	262,010	(71,642)
Loan Repayments	0	1,009,884
Advances Out	(1,425,957)	0
Advances In	810,128	0
Net Adjustment for Expenditure Accruals	(402,928)	651,784
Loans Issued	0	(270,726)
Notes Issued	0	280,000
Debt Interest and Fiscal Charges	0	3,156
Encumbrances	(225,040)	(1,155,824)
Budget Basis	<u>(\$128,065)</u>	<u>(\$911,973)</u>

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**Note 6 - Deposits and Investments**

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

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

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

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

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

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

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



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

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

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year-end, \$11,963,474 of the City's bank balance of \$12,363,474 was uninsured and uncollateralized. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

***Investments***

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

<u>Description</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than 1 Year</u>	<u>Credit Rating</u>
Repurchase Agreements	\$891,893	\$891,893	Aa2
Money Market Funds	3,487,549	3,487,549	AAAm
STAROhio	3,135,743	3,135,743	AAAm
Total Investments	<u>\$7,515,185</u>	<u>\$7,515,185</u>	

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

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

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

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

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

#### **Note 7 - Receivables**

Receivables at December 31, 2006 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 of these receivables are deemed collectible in full. Special assessments due in more than one year are \$567,015 and delinquent special assessments outstanding are \$718,032.

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 \$15,381,953 on the basic financial statements is stated net of estimated uncollectibles of \$893,469 with \$716,064 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, 2006 the fund has recorded a loan receivable balance of \$216,465 as a result of this transaction, with \$8,090 collectible in one year.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

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**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 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006 on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility real and tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which become a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2006, was \$4.96 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$907,892,420
Public Utility Property	70,128,370
Tangible Personal Property	<u>75,436,138</u>
Total Valuation	<u><u>\$1,053,456,928</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.

The Lorain County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lorain. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2006 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 2006 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.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

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***B. Income Taxes***

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

***C. Intergovernmental Receivables***

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

	<b>Amount</b>
<u>Governmental Activities:</u>	
Local Government	\$3,211,210
Grants	2,816,422
Gasoline Tax	933,376
Homestead and Rollback	232,500
Estate Tax	207,297
Motor Vehicle Tax	35,255
Permissive Tax	23,395
Liquor and Beer Tax	13,715
Other Taxes	139
Total Governmental Activities	<u>7,473,309</u>
<u>Business-Type Activities:</u>	
Grants	225,000
Utility Charges	112,009
Total Business-Type Activities	<u>337,009</u>
Total	<u><u>\$7,810,318</u></u>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

**Note 8 - Capital Assets**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$8,372,342	\$0	\$0	\$8,372,342
Construction in Progress	13,535,342	4,809,234	(526,371)	17,818,205
<i>Total Capital Assets, Not Being Depreciated</i>	<u>21,907,684</u>	<u>4,809,234</u>	<u>(526,371)</u>	<u>26,190,547</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	14,954,557	111,428	0	15,065,985
Machinery and Equipment	14,978,057	1,553,362	(803,342)	15,728,077
Furniture and Fixtures	97,758	6,075	0	103,833
Infrastructure:				
Streets and Sidewalks	995,265,646	1,278,481	0	996,544,127
<i>Total Capital Assets, Being Depreciated</i>	<u>1,025,296,018</u>	<u>2,949,346</u>	<u>(803,342)</u>	<u>1,027,442,022</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,750,723)	(356,798)	0	(6,107,521)
Machinery and Equipment	(5,973,342)	(784,620)	565,361	(6,192,601)
Furniture and Fixtures	(39,715)	(5,038)	0	(44,753)
Infrastructure:				
Streets and Sidewalks	(873,236,509)	(15,971,657)	0	(889,208,166)
<i>Total Accumulated Depreciation</i>	<u>(885,000,289)</u>	<u>(17,118,113) *</u>	<u>565,361</u>	<u>(901,553,041)</u>
Total Capital Assets, Being Depreciated, Net	<u>140,295,729</u>	<u>(14,168,767)</u>	<u>(237,981)</u>	<u>125,888,981</u>
Governmental Activities Capital Assets, Net	<u>\$162,203,413</u>	<u>(\$9,359,533)</u>	<u>(\$764,352)</u>	<u>\$152,079,528</u>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
<b>Business-type Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$617,876	\$0	\$0	\$617,876
Construction in Progress	7,828,563	2,615,923	(4,971,777)	5,472,709
<i>Total Capital Assets, Not Being Depreciated</i>	<u>8,446,439</u>	<u>2,615,923</u>	<u>(4,971,777)</u>	<u>6,090,585</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	49,792,407	13,393	0	49,805,800
Machinery and Equipment	19,921,162	271,516	(379,848)	19,812,830
Infrastructure:				
Water Lines	25,713,769	0	0	25,713,769
Sewer Lines	49,533,231	5,317,366	0	54,850,597
<i>Total Capital Assets, Being Depreciated</i>	<u>144,960,569</u>	<u>5,602,275</u>	<u>(379,848)</u>	<u>150,182,996</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(22,918,770)	(912,705)	0	(23,831,475)
Machinery and Equipment	(17,003,439)	(176,226)	32,175	(17,147,490)
Infrastructure:				
Water Lines	(9,968,330)	(427,546)	0	(10,395,876)
Sewer Lines	(26,644,407)	(905,276)	0	(27,549,683)
<i>Total Accumulated Depreciation</i>	<u>(76,534,946)</u>	<u>(2,421,753)</u>	<u>32,175</u>	<u>(78,924,524)</u>
Total Capital Assets, Being Depreciated, Net	<u>68,425,623</u>	<u>3,180,522</u>	<u>(347,673)</u>	<u>71,258,472</u>
Business-type Activities Capital Assets, Net	<u>\$76,872,062</u>	<u>\$5,796,445</u>	<u>(\$5,319,450)</u>	<u>\$77,349,057</u>

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

General Government	\$4,207,910
Security of Persons and Property	365,818
Transportation	12,189,734
Public Health	31,714
Community Environment	4,397
Economic Development	60,493
Leisure Time Activities	258,047
Total Depreciation Expense	<u>\$17,118,113</u>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

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**Note 9 - Risk Management**

***A. Property and Liability***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City joined the Public Entity Risk Consortium (PERC) for all City real and personal property, comprehensive general liability including law enforcement liability, blanket crime coverage and public official's liability insurance. Arthur J. Gallagher & Company is the administrator. PERC is a shared risk joint self-insurance pool restricted to mid-size public entities. Lexington Insurance Company covers up to \$250,000,000 per occurrence for real and personal property subject to a \$250,000 self-insured retention with the exception of a \$5,000 retention in respect to automobile physical damage. The Underwriters at Lloyd's, London provides \$2,000,000 per occurrence limit each for General Liability, Law Enforcement Liability and Public Official's Liability. These liability policies each have a \$50,000 self-insured retention. A \$3,000,000 Excess Liability policy is provided over all liability policies by Illinois Union Insurance Company. The City also carries a comprehensive Boiler and Machinery policy by the Travelers Property Casualty Company of America on all City buildings with the property damage limits of \$50,000,000 subject to a \$1,000 deductible. Gallagher Bassett Services, Inc. is the administrator for the City. A summary of coverage and limits provided through the pool is as follows:

<u>Type of Coverage</u>	<u>Limits of Coverage</u>
Property including Auto Physical Damage	\$127,926,000
Liability:	5,000,000
General Liability	
Law Enforcement Liability	
Automobile Liability	
Public Officials Errors & Omissions	
Crime:	
Employee Dishonesty	500,000
Depositors Forgery	50,000
Money & Securities	50,000
Boiler & Machinery	50,000,000

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

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***B. Workers' Compensation***

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

***C. Health Insurance Benefits***

The City manages the hospital/medical, prescription drug, vision, and dental benefits for its employees on a self-insured basis through the hospitalization self insurance internal service fund. Payments to the fund are made from the fund from which each employee is paid. Rates for 2006 were \$700 per month for single and family coverage until July 21, 2006 when rates were lowered to \$609.42 per month. 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. Police under ordinance were required to pay the \$40 family and \$20 single beginning July 1, 2006. The Fire bargaining unit employees are not required to pay for health insurance coverage. The Plan Administrator for the City determines these rates. Medical Mutual of Ohio, the third party administrator, processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$100,000 per employee and an aggregate of \$3,110,607 per year. The \$100,000 specific threshold was exceeded by \$124,850. The City received an invoice credit for the excess. The aggregate was not exceeded.

The claims liability of \$519,412 reported in the fund at December 31, 2006 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 2005 and 2006 were:

	<b>Balance at Beginning of Year</b>	<b>Current Year Claims</b>	<b>Claim Payments</b>	<b>Balance at End of Year</b>
2005	\$327,966	\$3,947,452	\$3,936,271	\$339,147
2006	339,147	4,258,779	4,078,514	519,412



**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

**Note 10 – Note Debt**

A summary of note transactions for the year ended December 31, 2006 follows:

<b>GOVERNMENTAL FUNDS</b>	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
2005, 4.50% Real Estate Acquisition and Street Improvement	\$5,495,000	\$0	\$5,495,000	\$0
2006, 4.50% Real Estate Acquisition and Street Improvement	0	5,900,000	0	5,900,000
<b><i>Total Governmental Funds</i></b>	<u>\$5,495,000</u>	<u>\$5,900,000</u>	<u>\$5,495,000</u>	<u>\$5,900,000</u>

The note is backed by the full faith and credit of the City of Lorain and matures within one year. The maturity date for the outstanding note is October 3, 2007. The note liability is reflected in the Community Development special revenue and Capital Improvements funds, which received the proceeds. All note proceeds have been fully expended. The real estate acquisition and street improvement note will be paid from the general obligation bond retirement debt service fund as it is reissued and then from bonds upon the completion of the projects.

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

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

**Note 11 – Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
1988 Street Improvement (G.O. Portion)	7.50 %	\$255,563	December 1, 2008
1989 Various Purpose Improvements	6.50-7.875	2,000,000	December 1, 2009
1995 Various Purposes - (G.O. Portion)	3.90-5.65	3,259,890	December 1, 2015
1998 Capital Purposes	3.80-5.00	3,680,000	December 1, 2018
1999 Accrued Pension Fund Liability	3.50-5.375	2,070,000	December 1, 2024
2000 Riverfront Urban Renewal Phase I	4.55-5.70	4,850,000	December 1, 2028
2002 Safety/Service Action Plan	3.00-5.50	8,905,000	December 1, 2026
2003 Riverfront Urban Renewal Phase II & III	2.40-4.75	4,470,000	December 1, 2032
2003 Park and Street Improvements (G.O. Portion)	2.00-5.00	1,200,500	December 1, 2023
2005 Energy Conservation	4.35	2,499,223	December 1, 2015
2006 Lighthouse Urban Renewal Phase I	4.10-5.00	1,510,000	December 1, 2026
<i>Special Assessment Bonds with Government Commitment:</i>			
1988 Street Improvement	7.50	1,469,437	December 1, 2008
2003 Park and Street Improvements	2.00-5.00	574,500	December 1, 2023
<i>HUD Section 108 Loans:</i>			
Community Development - Series 2002-A (B-92-MC-39-0016)	4.64-7.90	100,000	August 1, 2012
Head Start - Series 2002-A (B-92-MC-39-0016-A)	4.64-7.90	1,100,000	August 1, 2012
Head Start - Series 2000-A (B-99-MC-0016)	7.50-8.00	2,375,000	August 1, 2019
Colorado Industrial Park - Series 2002-A (B-99-MC-0016)	4.40-6.00	2,000,000	August 1, 2021
Land Aquisition - Series 2004-A (B-03-MC-39-0016)	3.50-6.00	2,200,000	August 1, 2024
<i>Ohio Department of Development Urban Redevelopment Loans:</i>			
Riverbend Commerce Park	0.00-3.00	1,240,041	August 1, 2021

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Ohio Public Works Commission Loans:</i>			
1997 Local Roadway Rehab (#CI04A)	0.00 %	\$18,040	January 1, 2014
1999 Local Roadway Rehab (#CI13C)	0.00	17,409	July 1, 2011
Oak Point Road Improvements (#CI002)	0.00	405,776	January 1, 2021
Longbrook Bridge Replacement (#CI01D)	0.00	250,000	July 1, 2021
California Avenue (#CI31D)	0.00	483,645	January 1, 2022
Jaeger Road (#CI40E)	0.00	259,191	January 1, 2013
2002 Local Roadway Rehab (#CI22F)	0.00	236,844	July 1, 2014
Fulmer/Meister Road Improvements (#CI48G)	0.00	412,449	January 1, 2015
2003 Local Roadway Rehab (#CI22G)	0.00	102,000	January 1, 2015
2004 Local Roadway Rehab (#CI33H)	0.00	123,575	January 1, 2016
E. 36th Street Rehab Phase I (#CI29I)	0.00	458,883	January 1, 2017
<i>Ohio Department of Transportation State Infrastructure Bank Loans:</i>			
E. 36th Street Rehab Phase I	3.00	136,046	January 18, 2011
State Route 57 Reconstruction	3.00	817,953	January 18, 2010
<i>Enterprise General Obligation Bonds:</i>			
1995 Various Purpose - (Water Fund portion)	3.90-5.65	2,405,110	December 1, 2013
Energy Conservation Bond-Water	4.35	73,816	December 1, 2015
Energy Conservation Bond-WPC	4.35	226,961	December 1, 2015
<i>Enterprise Revenue Bonds:</i>			
1995 Water System Revenue	3.95-5.25	10,000,000	December 1, 2016
1995 Sewer System Refunding Revenue	3.80-5.60	8,035,000	December 1, 2011
<i>Ohio Water Development Authority Loans:</i>			
1978 SE Sewer Intercept (#1001)	6.25	2,856,352	July 1, 2011
2000 East Erie Waterlines (#2037)	5.50	2,211,916	January 1, 2020
2000 E. 28th St./Pearl Ave. Relief Sewer, Pump Station (#2321)	2.91	1,137,701	July 1, 2020
2001 Colorado Ave./Root Rd. Waterline Replacement (#3188)	6.12	449,287	January 1, 2021
2001 Colorado/Root/E. Erie Waterline Replacement (#3253)	4.38	2,712,348	January 1, 2021
2001 Westside Waterline Replacement (#3284)	4.64	2,425,291	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	3,585,574	July 1, 2034
2004 Kay Drive Retention Basin (#4150)	3.81	2,295,633	July 1, 2022
2004 Amherst Township Relief Sewer (#4151)	3.81	898,208	January 1, 2022
2004 Pearl Road & Tacoma Pump Station (#4156)	3.81	1,282,116	July 1, 2023
2006 East Central Relief Sewer (#4548)	4.59	1,254,801	July 1, 2015
2006 Westside Relief Sewer (#4586)	3.24	350,395	July 1, 2009

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
*For The Year Ended December 31, 2006*

Changes in bonds and other long-term obligations of the City during 2006 were as follows:

	Principal Outstanding 12/31/05	Additions	Deletions	Principal Outstanding 12/31/06	Due Within One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds:</i>					
Street Improvement	\$40,001	\$0	\$13,334	\$26,667	\$13,333
Various Purpose Improvements	400,000	0	100,000	300,000	100,000
Various Purposes	1,645,000	0	160,000	1,485,000	175,000
Capital Purposes	1,505,000	0	305,000	1,200,000	320,000
Accrued Pension Fund Liability	1,740,000	0	55,000	1,685,000	60,000
Riverfront Urban Renewal Phase I	4,550,000	0	110,000	4,440,000	110,000
Safety/Service Action Plan	8,020,000	0	320,000	7,700,000	330,000
Riverfront Urban Renewal Phase II & III	4,470,000	0	0	4,470,000	0
Park and Street Improvements	1,112,576	0	43,962	1,068,614	43,962
Energy Conservation	2,499,223	0	182,979	2,316,244	214,219
Lighthouse Urban Renewal Phase I	0	1,510,000	0	1,510,000	0
Unamortized Premium	17,051	4,628	998	20,681	0
<i>Total General Obligation Bonds</i>	<u>25,998,851</u>	<u>1,514,628</u>	<u>1,291,273</u>	<u>26,222,206</u>	<u>1,366,514</u>
<i>Special Assessment Bonds with Government Commitment:</i>					
Street Improvement	229,999	0	76,666	153,333	76,666
Park and Street Improvements	532,424	0	21,038	511,386	21,038
<i>Total Special Assessment Bonds</i>	<u>762,423</u>	<u>0</u>	<u>97,704</u>	<u>664,719</u>	<u>97,704</u>
<i>HUD Section 108 Loans</i>					
Community Development	1,625,000	0	125,000	1,500,000	125,000
Head Start	70,000	0	10,000	60,000	10,000
Head Start	770,000	0	110,000	660,000	110,000
Colorado Instrustrial Park	1,750,000	0	125,000	1,625,000	125,000
Land Acquisition	2,130,000	0	75,000	2,055,000	75,000
<i>Total HUD Section 108 Loans</i>	<u>6,345,000</u>	<u>0</u>	<u>445,000</u>	<u>5,900,000</u>	<u>445,000</u>
<i>Other Obligations</i>					
ODOD Urban Redevelopment Loans	0	1,240,041	0	1,240,041	0
OPWC Loans	1,873,525	458,883	173,321	2,159,087	219,209
ODOT State Infrastructure Bank Loans	0	953,999	0	953,999	131,302
Capital Leases	2,099,227	0	305,560	1,793,667	377,000
Compensated Absences	5,885,317	919,964	678,844	6,126,437	1,014,176
<i>Total Governmental Activities</i>	<u>\$42,964,343</u>	<u>\$5,087,515</u>	<u>\$2,991,702</u>	<u>\$45,060,156</u>	<u>\$3,650,905</u>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
For The Year Ended December 31, 2006

	Principal Outstanding 12/31/05	Additions	Deletions	Principal Outstanding 12/31/06	Due Within One Year
<b>Business-Type Activities</b>					
<i>General Obligation Bonds:</i>					
Various Purpose - Water	\$1,210,000	\$0	\$125,000	\$1,085,000	\$130,000
Energy Conservation-WTR	73,816	0	5,404	68,412	6,327
Energy Conservation-WPC	226,961	0	16,617	210,344	19,454
<i>Total General Obligation Bonds</i>	<u>1,510,777</u>	<u>0</u>	<u>147,021</u>	<u>1,363,756</u>	<u>155,781</u>
<i>Revenue Bonds:</i>					
Water System Revenue	6,670,000	0	465,000	6,205,000	485,000
Unamortized Discount	(78,272)	7,632		(70,640)	0
Sewer System Refunding Revenue	3,820,000	0	560,000	3,260,000	590,000
Unamortized Discount	(13,494)	2,570	0	(10,924)	0
Deferred Loss on Refunding	(291,469)	55,495	0	(235,974)	0
<i>Total Revenue Bonds</i>	<u>10,106,765</u>	<u>65,697</u>	<u>1,025,000</u>	<u>9,147,462</u>	<u>1,075,000</u>
<i>Ohio Water Development</i>					
<i>Authority Loans:</i>					
SE Sewer Intercept	889,756	0	140,241	749,515	149,006
East Erie Waterlines	1,774,963	0	87,468	1,687,495	92,279
E. 28th St./Pearl Ave. Relief Sewer	887,189	0	49,980	837,209	51,446
Colorado Ave./Root Rd. Waterline	381,777	0	16,125	365,652	17,128
Colorado/Root/E. Erie Waterline	2,236,460	0	108,185	2,128,275	112,976
Westside Waterline Replacement	2,055,071	0	93,120	1,961,951	97,491
Tacoma Ave. Relief Sewer	3,876,350	0	201,330	3,675,020	217,578
Idaho Ave. SSO Elimination	8,034,984	0	309,476	7,725,508	412,351
4W Waterline Replacement	3,502,011	0	57,382	3,444,629	61,330
Kay Drive Retention Basin	2,027,016	131,794	95,614	2,063,196	99,292
Amherst Township Relief Sewer	832,870	9,198	39,232	802,836	40,741
Pearl Road & Tacoma Pump Station	1,231,679	0	52,376	1,179,303	54,391
East Central Relief Sewer	0	1,254,801	0	1,254,801	63,583
Westside Relief Sewer	0	350,395	0	350,395	0
<i>Total Ohio Water Development</i>					
<i>Authority Loans</i>	<u>27,730,126</u>	<u>1,746,188</u>	<u>1,250,529</u>	<u>28,225,785</u>	<u>1,469,592</u>
Capital Leases	119,375	0	119,375	0	0
Compensated Absences	1,190,944	117,741	0	1,308,685	204,733
<i>Total Business-Type Activities</i>	<u>\$40,657,987</u>	<u>\$1,929,626</u>	<u>\$2,541,925</u>	<u>\$40,045,688</u>	<u>\$2,905,106</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 and Ohio Department of Development loans are paid from the community development special revenue fund.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
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OPWC and ODOT State Infrastructure Bank loans will be paid from the general obligation bond retirement debt service fund.

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

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

The revenue and general obligation bonds for water improvements and the OWDA water facility 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. As of December 31, 2006, \$4,380,000 of the defeased debt was outstanding.

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

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

In conjunction with the issuance of the sewer system revenue refunding bonds and the requirements of the indenture agreement, the City entered into a trust agreement with a commercial bank. The trust agreement requires that the City establish various funds for the construction, replacement, and repayment of debt relating to the advance refunding of the City's outstanding sewer system mortgage revenue refunding bonds, Series 1995. The restricted assets balance in the water pollution fund segregates funds held by the trustees in accordance with the trust agreement. Restricted assets relating to the refunding bonds consisted of the following at December 31, 2006:

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Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,473,782
Restricted assets held by the City	
Utility Reserve Fund	815
Replacement and Improvement Fund	150,000

The sewer system refunding bonds, Series 1995 had a balance at December 31, 2006 of \$3,249,076 net of the unamortized discount.

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

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, 2006:

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,265,132
Restricted assets held by the City	
Utility Reserve Fund	333,929
Replacement and Improvement Fund	150,000

The water revenue bonds, Series 1995, had a balance at December 31, 2006 of \$6,134,360 net of the unamortized discount.

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
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The City's overall legal debt margin was \$73,922,351 at December 31, 2006. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

**Governmental Activities:**

Years	General Obligation Bonds		Special Assessment Bonds		HUD Section 108 Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$1,366,515	\$1,274,337	\$97,704	\$34,319	\$445,000	\$343,322
2008	1,408,822	1,201,896	99,323	28,022	450,000	322,272
2009	1,323,877	1,135,939	22,657	21,592	455,000	299,857
2010	1,256,185	1,074,767	24,275	20,845	455,000	276,334
2011	1,250,111	1,019,243	24,275	19,959	460,000	251,698
2012-2016	6,753,327	4,173,108	139,174	83,409	1,710,000	908,811
2017-2021	5,155,222	2,718,704	174,777	47,546	1,435,000	396,597
2022-2026	5,467,466	1,364,897	82,534	6,230	490,000	59,528
2027-2031	1,930,000	297,942	0	0	0	0
2032-2036	290,000	13,050	0	0	0	0
<b>Total</b>	<b>\$26,201,525</b>	<b>\$14,273,883</b>	<b>\$664,719</b>	<b>\$261,922</b>	<b>\$5,900,000</b>	<b>\$2,858,419</b>

Years	ODOD Urban Redevelopment Loan		OPWC Loans	ODOT State Infrastructure Bank Loans		Total Governmental Activities	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2007	\$0	\$0	\$219,209	\$131,302	\$12,269	\$2,259,730	\$1,664,247
2008	0	0	219,209	290,381	20,641	2,467,735	1,572,831
2009	0	0	219,209	321,324	13,578	2,342,067	1,470,966
2010	0	0	219,209	187,465	3,865	2,142,134	1,375,811
2011	26,698	9,300	218,338	23,527	353	2,002,949	1,300,553
2012-2016	578,082	141,889	805,597	0	0	9,986,180	5,307,217
2017-2021	635,261	48,712	258,316	0	0	7,658,576	3,211,559
2022-2026	0	0	0	0	0	6,040,000	1,430,655
2027-2031	0	0	0	0	0	1,930,000	297,942
2032-2036	0	0	0	0	0	290,000	13,050
<b>Total</b>	<b>\$1,240,041</b>	<b>\$199,901</b>	<b>\$2,159,087</b>	<b>\$953,999</b>	<b>\$50,706</b>	<b>\$37,119,371</b>	<b>\$17,644,831</b>



**City of Lorain, Ohio**  
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***Business-Type Activities:***

Years	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$155,781	\$72,488	\$1,075,000	\$469,711
2008	166,855	64,542	1,130,000	413,060
2009	173,466	55,884	1,190,000	352,298
2010	184,541	46,454	1,245,000	287,311
2011	195,615	36,411	1,320,000	218,020
2012-2016	487,498	45,203	3,505,000	474,370
2017-2021	0	0	0	0
2022-2026	0	0	0	0
2027-2031	0	0	0	0
2032-2036	0	0	0	0
<b>Total</b>	<b>\$1,363,756</b>	<b>\$320,982</b>	<b>\$9,465,000</b>	<b>\$2,214,770</b>

Years	OWDA Loans		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$1,406,009	\$1,096,897	\$2,636,790	\$1,639,096
2008	1,464,457	1,038,449	2,761,312	1,516,051
2009	1,525,489	977,417	2,888,955	1,385,599
2010	1,589,224	913,682	3,018,765	1,247,447
2011	1,561,143	843,838	3,076,758	1,098,269
2012-2016	8,243,269	3,292,006	12,235,767	3,811,579
2017-2021	8,505,681	1,539,375	8,505,681	1,539,375
2022-2026	900,090	476,750	900,090	476,750
2027-2031	891,640	255,235	891,640	255,235
2032-2036	533,587	39,851	533,587	39,851
<b>Total</b>	<b>\$26,620,589</b>	<b>\$10,473,500</b>	<b>\$37,449,345</b>	<b>\$13,009,252</b>

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

<b>Enterprise Funds</b>	
Water Pollution Control	\$1,605,196

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**Note 12 - 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.

As part of the agreement for the lease of equipment, First Merit Bank, the lessor, deposited \$1,849,994 in an escrow account in 2005 so that the City could obtain the equipment from various vendors. \$732,120 was paid to the vendors in 2005 and the balance of \$1,117,874 was paid to the vendors in 2006 at the direction of the City upon receipt of the equipment. At year-end, capital assets have been recorded for these capital leases.

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

	<u><i>Governmental Activities</i></u>	<u><i>Business-Type Activities</i></u>
<i>Capital Assets, Being Depreciated:</i>		
Machinery and Equipment	\$2,910,001	\$176,373
Less Accumulated Depreciation:		
Machinery and Equipment	<u>(405,450)</u>	<u>(40,819)</u>
<i>Capital Assets, Net</i>	<u><u>\$2,504,551</u></u>	<u><u>\$135,554</u></u>

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, 2006:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2007	\$451,971
2008	318,077
2009	318,077
2010	318,077
2011	318,077
2012	<u>318,077</u>
Total Minimum Lease Payments	2,042,356
Less: Amount Representing Interest	<u>(248,689)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,793,667</u></u>

**City of Lorain, Ohio**  
*Notes to The Basic Financial Statements*  
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**Note 13 - Compensated Absences**

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

**Note 14 - Defined Benefit Pension Plans**

***A. Ohio Public Employee Retirement System***

The City 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, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 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 2006 was 13.70 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 16.93 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, 2006, 2005 and 2004, were \$2,021,456, \$1,987,536, and \$2,083,565, respectively; 76.83 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$9,519 made by the City and \$6,253 made by the plan members.

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***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.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$1,086,605 and \$1,076,474 for the year ended December 31, 2006, \$1,051,876 and \$1,105,907 for the year ended December 31, 2005, and \$999,213 and \$1,111,885 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 76.92 percent and 76.71 percent, respectively, have been contributed for 2006.

**Note 15 - 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. 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 2006 local government employer contribution rate was 13.70 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advanced-funded using the individual entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 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 costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. 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 annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. Actual employer contributions for 2006, which were used to fund postemployment benefits,

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were \$593,045. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

***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 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 2005 and 2006. 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 2006 that were used to fund postemployment benefits were \$431,817 for police and \$347,593 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2005, (the latest information available) were \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, the date of the last actuarial valuation available was 13,922 for police and 10,537 for firefighters.

**Note 16 – Contractual Commitments**

As of December 31, 2006, the open construction contracts for the water pollution control department were \$21,558,986.

For relief sewer and retention basin construction there are open construction contracts with Digioia Suburban Excavating for \$15,824,733, Underground Utilities for \$2,288,730, CT Consultants for \$1,300,000 and Terminal Ready Mix in the amount of \$832,420. For the replacement of the Philip Q. Maiorana wastewater treatment plant roof there is an open construction contract with Weatherproofing Technologies for \$545,373.

The City also had an open construction contracts with Fabrizi Trucking and Paving Company Inc. for the Riverbend Commerce Park project in the amount of \$1,131,777. The total open construction contracts for the project totaled \$1,324,643 at the end of 2006.

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**Note 17 – Jointly Governed Organization**

***Northeast Ohio Areawide Coordinating Agency***

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 38 member board that includes the Mayor of the City of Lorain. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2006, the City contributed \$16,651 to the agency.

**Note 18 - Related Organization**

***Lorain Port Authority***

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

**Note 19 – Shared Risk Pool**

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

The City participates in PERC, a shared risk joint self-insurance pool restricted to mid-size public entities including pools. PERC was formed as an Ohio not-for-profit corporation as authorized by Ohio Revised Code Section 2744.081 and operates a property, crime, and liability insurance program. The Public Entity Risk Consortium (PERC) is a shared risk pool comprised of Tuscarawas County, Wayne County, the City of Lorain and the member participants of four pools: the Buckeye Ohio Risk Management Association, Inc. (BORMA); the Midwest Pool Risk Management Agency, Inc. (MPRMA); the Ohio Housing Authority Property and Casualty, Inc. (OHAPCI); and the State Housing Authority Risk Pool Association, Inc. (SHARP). Each member appoints one person to represent the City on the Board of Trustees. The Board of Directors consists of five trustees as determined by Board of Trustee vote. The Board of Directors governs and administers PERC. Each member's control over the budgeting and financing of PERC is limited to its voting authority and any representation it may have on the Board of Directors. Participation in PERC is by written application subject to approval of the Board of Directors and the payment of premiums. Members are required to remain members of PERC until the end of the PERC fiscal year (November 30). Any member may withdraw from PERC at the end of the PERC fiscal year upon providing at least three months prior written notice. After withdrawal, the former member continues to be fully obligated for its portion of any claim against the assets of the joint self-insurance pool that was created during the term of its membership. In addition, any distribution of surplus PERC funds allocable to the withdrawing member are forfeited by the withdrawing member and is distributed to the then remaining members in proportion to their interest in the surplus funds or other equitable manner as determined by the Board of Directors. In 2006, the City made payments in the amount of \$284,026 to PERC.

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Financial information may be obtained from Arthur J. Gallagher Risk Management Services, Inc., MK Ferguson Plaza, 1500 West Third Street, Suite 405, Cleveland, OH 44113.

**Note 20 - Interfund Transfers and Balances**

***A. Transfers***

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

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

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

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

Transfers made during the year ended December 31, 2006 were as follows:

	<b>Transfer From</b>		
	Governmental Activities		
	General	Nonmajor	Totals
<b>Transfer To</b>			
Governmental Activities			
General Fund	\$0	\$126,563	\$126,563
Community Development			
Block Grant	0	140,000	140,000
G.O. Bond Retirement	381,338	183,304	564,642
Capital Improvements	0	12,146	12,146
Nonmajor Funds	905,885	0	905,885
<b>Total</b>	<b>\$1,287,223</b>	<b>\$462,013</b>	<b>\$1,749,236</b>

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**B. Balances**

The interfund balances as of December 31, 2006 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	Capital Improvements	Nonmajor	Water Works	Water Pollution Control	Garage	
<b>Governmental Activities</b>							
General	\$0	\$558,086	\$23,992	\$11	\$1,701	\$0	\$583,790
Community Development Block Grant	0	0	7	204	274	477	962
<i>Total Governmental Activities</i>	<u>0</u>	<u>558,086</u>	<u>23,999</u>	<u>215</u>	<u>1,975</u>	<u>477</u>	<u>584,752</u>
<b>Business-Type Activities</b>							
Water Pollution Control	0	0	0	640,000	0	0	640,000
<b>Internal Service</b>							
Garage	175,957	0	0	0	0	0	175,957
<i>Total</i>	<u>\$175,957</u>	<u>\$558,086</u>	<u>\$23,999</u>	<u>\$640,215</u>	<u>\$1,975</u>	<u>\$477</u>	<u>\$1,400,709</u>

**Note 21 - Litigation**

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

**Note 22 – Subsequent Events**

On April 9, 2007 Moody's Investors Service upgraded the City's general obligation limited tax bond rating from Baa3 to Baa2, the first upgrade since 1998.

On May 24, 2007 the City issued a \$4,970,000 urban renewal bond for the purpose of restructuring the series 2000 Riverfront Urban Renewal Phase I bond to take advantage of more favorable interest rates and repayment schedules. The principal outstanding on the refunded bond at December 31, 2006 was \$4,440,000.



**Combining Statements  
and Individual Fund Schedules**

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

### ***Nonmajor Special Revenue Funds***

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

#### **Streets Fund**

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

#### **Permissive License Fund**

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

#### **Health Services Fund**

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

#### **Litter Control Fund**

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

#### **Police Levy Fund**

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

#### **Mandatory Drug Fund**

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

#### **Police Pension Fund**

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

#### **Fire Pension Fund**

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

#### **Indigent Drivers Fund**

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

#### **Park Land Fund**

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

#### **Cemetery Fund**

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

(continued)

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

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

#### **Law Enforcement Fund**

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

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

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

#### **Legal Research Fund**

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

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

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

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

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

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

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

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

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

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

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

#### **General Sewer Fund**

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

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

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

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

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

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

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

**City of Lorain, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Governmental Funds*  
*December 31, 2006*

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$3,717,835	\$0	\$1,243,979	\$4,961,814
Accounts Receivable	0	0	29,558	29,558
Materials and Supplies Inventory	133,011	0	0	133,011
Interfund Receivable	20,099	0	3,900	23,999
Intergovernmental Receivable	1,022,026	0	0	1,022,026
Prepaid Items	3,390	0	2,934	6,324
Municipal Income Taxes Receivable	321,230	0	0	321,230
Property and Other Taxes Receivable	629,022	0	0	629,022
Special Assessment Receivable	0	574,005	0	574,005
<i>Total Assets</i>	<u>\$5,846,613</u>	<u>\$574,005</u>	<u>\$1,280,371</u>	<u>\$7,700,989</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$130,087	\$0	\$1,704	\$131,791
Accrued Wages and Benefits	63,676	0	0	63,676
Matured Compensated Absences Payable	589	0	0	589
Intergovernmental Payable	228,627	0	0	228,627
Deferred Revenue	1,329,225	574,005	0	1,903,230
<i>Total Liabilities</i>	<u>1,752,204</u>	<u>574,005</u>	<u>1,704</u>	<u>2,327,913</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	104,967	0	160,710	265,677
Unreserved, Undesignated				
Special Revenue Funds	3,989,442	0	0	3,989,442
Capital Projects Funds	0	0	1,117,957	1,117,957
<i>Total Fund Balances</i>	<u>4,094,409</u>	<u>0</u>	<u>1,278,667</u>	<u>5,373,076</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,846,613</u>	<u>\$574,005</u>	<u>\$1,280,371</u>	<u>\$7,700,989</u>

**City of Lorain, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Governmental Funds*  
*For the Year Ended December 31, 2006*

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Property and Other Taxes	\$538,307	\$0	\$0	\$538,307
Municipal Income Taxes	2,368,412	0	0	2,368,412
Charges for Services	565,549	0	531,519	1,097,068
Licenses and Permits	271,670	0	0	271,670
Fines and Forfeitures	436,999	0	66,608	503,607
Intergovernmental	3,410,712	0	0	3,410,712
Special Assessments	0	82,614	0	82,614
Interest	0	0	22,289	22,289
Miscellaneous	28,709	0	0	28,709
<i>Total Revenues</i>	<u>7,620,358</u>	<u>82,614</u>	<u>620,416</u>	<u>8,323,388</u>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	235,191	3,261	0	238,452
Security of Persons and Property	2,254,540	0	0	2,254,540
Transportation	2,770,818	0	0	2,770,818
Public Health	1,774,124	0	0	1,774,124
Community Environment	168,411	0	0	168,411
Leisure Time Activities	63,115	0	0	63,115
Capital Outlay	0	0	1,238,849	1,238,849
<b>Debt Service:</b>				
Principal Retirement	440,531	97,704	44,885	583,120
Interest and Fiscal Charges	277,557	40,516	14,774	332,847
Bond Issuance Costs	0	0	82,219	82,219
<i>Total Expenditures</i>	<u>7,984,287</u>	<u>141,481</u>	<u>1,380,727</u>	<u>9,506,495</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(363,929)</u>	<u>(58,867)</u>	<u>(760,311)</u>	<u>(1,183,107)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	20,128	0	0	20,128
Bonds Issued	0	0	1,510,000	1,510,000
Premium on Debt Issuance	0	0	4,628	4,628
Transfers In	847,018	58,867	0	905,885
Transfers Out	(126,563)	0	(335,450)	(462,013)
<i>Total Other Financing Sources (Uses)</i>	<u>740,583</u>	<u>58,867</u>	<u>1,179,178</u>	<u>1,978,628</u>
<i>Net Change in Fund Balances</i>	376,654	0	418,867	795,521
<i>Fund Balances Beginning of Year</i>	<u>3,717,755</u>	<u>0</u>	<u>859,800</u>	<u>4,577,555</u>
<i>Fund Balances End of Year</i>	<u>\$4,094,409</u>	<u>\$0</u>	<u>\$1,278,667</u>	<u>\$5,373,076</u>

**City of Lorain, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*December 31, 2006*

	Streets	Permissive License	Health Services	Litter Control	Police Levy
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$416,975	\$126,721	\$28,753	\$131,827	\$1,344,987
Materials and Supplies Inventory	81,823	0	8,049	0	43,139
Interfund Receivable	0	0	0	0	0
Intergovernmental Receivable	968,631	23,395	0	0	0
Prepaid Items	1,546	0	1,657	0	187
Municipal Income Taxes Receivable	0	0	0	0	321,230
Property and Other Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$1,468,975</u>	<u>\$150,116</u>	<u>\$38,459</u>	<u>\$131,827</u>	<u>\$1,709,543</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$21,384	\$5,294	\$1,447	\$71,455	\$19,172
Accrued Wages and Benefits	18,890	0	18,869	0	21,775
Matured Compensated Absences Payable	0	0	0	0	589
Intergovernmental Payable	65,458	0	70,735	0	76,903
Deferred Revenue	617,831	0	0	0	52,372
<i>Total Liabilities</i>	<u>723,563</u>	<u>5,294</u>	<u>91,051</u>	<u>71,455</u>	<u>170,811</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	43,815	7,594	4,416	0	35,177
Unreserved, Undesignated (Deficit)	701,597	137,228	(57,008)	60,372	1,503,555
<i>Total Fund Balances (Deficit)</i>	<u>745,412</u>	<u>144,822</u>	<u>(52,592)</u>	<u>60,372</u>	<u>1,538,732</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,468,975</u>	<u>\$150,116</u>	<u>\$38,459</u>	<u>\$131,827</u>	<u>\$1,709,543</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>
\$14,719	\$230,792	\$118,012	\$138,972	\$24,583	\$12,859	\$641,234
0	0	0	0	0	0	0
0	0	0	390	0	0	0
0	15,000	15,000	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	314,511	314,511	0	0	0	0
<u>\$14,719</u>	<u>\$560,303</u>	<u>\$447,523</u>	<u>\$139,362</u>	<u>\$24,583</u>	<u>\$12,859</u>	<u>\$641,234</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	5,118	0	0	0
0	329,511	329,511	0	0	0	0
0	329,511	329,511	5,118	0	0	0
0	0	0	5,140	0	0	0
<u>14,719</u>	<u>230,792</u>	<u>118,012</u>	<u>129,104</u>	<u>24,583</u>	<u>12,859</u>	<u>641,234</u>
<u>14,719</u>	<u>230,792</u>	<u>118,012</u>	<u>134,244</u>	<u>24,583</u>	<u>12,859</u>	<u>641,234</u>
<u>\$14,719</u>	<u>\$560,303</u>	<u>\$447,523</u>	<u>\$139,362</u>	<u>\$24,583</u>	<u>\$12,859</u>	<u>\$641,234</u>

(continued)

**City of Lorain, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds (continued)*  
*December 31, 2006*

	Municipal Court Computer	Legal Research	Municipal Court Security	Municipal Court Probation	Total Nonmajor Special Revenue Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$328,453	\$71,326	\$61,006	\$26,616	\$3,717,835
Materials and Supplies Inventory	0	0	0	0	133,011
Interfund Receivable	9,066	2,715	2,975	4,953	20,099
Intergovernmental Receivable	0	0	0	0	1,022,026
Prepaid Items	0	0	0	0	3,390
Municipal Income Taxes Receivable	0	0	0	0	321,230
Property and Other Taxes Receivable	0	0	0	0	629,022
<i>Total Assets</i>	<u>\$337,519</u>	<u>\$74,041</u>	<u>\$63,981</u>	<u>\$31,569</u>	<u>\$5,846,613</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$0	\$11,335	\$0	\$0	\$130,087
Accrued Wages and Benefits	874	0	2,490	778	63,676
Matured Compensated Absences Payable	0	0	0	0	589
Intergovernmental Payable	3,164	0	4,379	2,870	228,627
Deferred Revenue	0	0	0	0	1,329,225
<i>Total Liabilities</i>	<u>4,038</u>	<u>11,335</u>	<u>6,869</u>	<u>3,648</u>	<u>1,752,204</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	5,695	3,130	0	0	104,967
Unreserved, Undesignated (Deficit)	327,786	59,576	57,112	27,921	3,989,442
<i>Total Fund Balances (Deficit)</i>	<u>333,481</u>	<u>62,706</u>	<u>57,112</u>	<u>27,921</u>	<u>4,094,409</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$337,519</u>	<u>\$74,041</u>	<u>\$63,981</u>	<u>\$31,569</u>	<u>\$5,846,613</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, 2006*

	Streets	Permissive License	Health Services	Litter Control	Police Levy
<b>Revenues</b>					
Property and Other Taxes	\$0	\$0	\$0	\$0	\$0
Municipal Income Taxes	0	0	0	0	2,368,412
Charges for Services	0	0	556,549	0	9,000
Licenses and Permits	0	0	271,670	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	2,247,772	256,957	494,635	224,690	120,586
Miscellaneous	0	0	0	0	14,209
<i>Total Revenues</i>	<u>2,247,772</u>	<u>256,957</u>	<u>1,322,854</u>	<u>224,690</u>	<u>2,512,207</u>
<b>Expenditures</b>					
Current:					
General Government	0	0	0	0	0
Security of Persons and Property	0	0	0	0	2,057,551
Transportation	2,480,836	289,982	0	0	0
Public Health	0	0	1,774,124	0	0
Community Environment	0	0	0	168,411	0
Leisure Time Activities	0	0	0	0	0
Debt Service:					
Principal Retirement	232,864	0	2,667	0	150,000
Interest and Fiscal Charges	49,698	0	1,863	0	134,785
<i>Total Expenditures</i>	<u>2,763,398</u>	<u>289,982</u>	<u>1,778,654</u>	<u>168,411</u>	<u>2,342,336</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(515,626)</u>	<u>(33,025)</u>	<u>(455,800)</u>	<u>56,279</u>	<u>169,871</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	20,128	0	0	0	0
Bonds Issued	0	0	0	0	0
Transfers In	358,667	0	471,547	0	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>378,795</u>	<u>0</u>	<u>471,547</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(136,831)</u>	<u>(33,025)</u>	<u>15,747</u>	<u>56,279</u>	<u>169,871</u>
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>882,243</u>	<u>177,847</u>	<u>(68,339)</u>	<u>4,093</u>	<u>1,368,861</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$745,412</u>	<u>\$144,822</u>	<u>(\$52,592)</u>	<u>\$60,372</u>	<u>\$1,538,732</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, 2006*

	Mandatory Drug	Police Pension	Fire Pension	Indigent Drivers	Park Land
<b>Revenues</b>					
Property and Other Taxes	\$0	\$269,154	\$269,153	\$0	\$0
Municipal Income Taxes	0	0	0	0	0
Charges for Services	0	0	0	0	0
Licenses and Permits	0	0	0	0	0
Fines and Forfeitures	20,510	0	0	16,916	0
Intergovernmental	0	33,036	33,036	0	0
Miscellaneous	0	0	0	0	14,500
<i>Total Revenues</i>	<u>20,510</u>	<u>302,190</u>	<u>302,189</u>	<u>16,916</u>	<u>14,500</u>
<b>Expenditures</b>					
Current:					
General Government	0	0	0	19,176	0
Security of Persons and Property	19,597	44,065	47,227	0	0
Transportation	0	0	0	0	0
Public Health	0	0	0	0	0
Community Environment	0	0	0	0	0
Leisure Time Activities	0	0	0	0	63,115
Debt Service:					
Principal Retirement	0	19,250	35,750	0	0
Interest and Fiscal Charges	0	31,924	59,287	0	0
<i>Total Expenditures</i>	<u>19,597</u>	<u>95,239</u>	<u>142,264</u>	<u>19,176</u>	<u>63,115</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>913</u>	<u>206,951</u>	<u>159,925</u>	<u>(2,260)</u>	<u>(48,615)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	0	0	0	0	0
Bonds Issued	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	913	206,951	159,925	(2,260)	(48,615)
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>13,806</u>	<u>23,841</u>	<u>(41,913)</u>	<u>136,504</u>	<u>73,198</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$14,719</u>	<u>\$230,792</u>	<u>\$118,012</u>	<u>\$134,244</u>	<u>\$24,583</u>

Cemetery	Law Enforcement	Municipal Court Computer	Legal Research	Municipal Court Security	Municipal Court Probation	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$0	\$0	\$538,307
0	0	0	0	0	0	2,368,412
0	0	0	0	0	0	565,549
0	0	0	0	0	0	271,670
0	120,926	140,977	42,297	49,961	45,412	436,999
0	0	0	0	0	0	3,410,712
0	0	0	0	0	0	28,709
<u>0</u>	<u>120,926</u>	<u>140,977</u>	<u>42,297</u>	<u>49,961</u>	<u>45,412</u>	<u>7,620,358</u>
0	0	96,085	43,414	76,516	0	235,191
0	45,786	0	0	0	40,314	2,254,540
0	0	0	0	0	0	2,770,818
0	0	0	0	0	0	1,774,124
0	0	0	0	0	0	168,411
0	0	0	0	0	0	63,115
0	0	0	0	0	0	440,531
0	0	0	0	0	0	277,557
<u>0</u>	<u>45,786</u>	<u>96,085</u>	<u>43,414</u>	<u>76,516</u>	<u>40,314</u>	<u>7,984,287</u>
<u>0</u>	<u>75,140</u>	<u>44,892</u>	<u>(1,117)</u>	<u>(26,555)</u>	<u>5,098</u>	<u>(363,929)</u>
0	0	0	0	0	0	20,128
0	0	0	0	0	0	0
0	0	0	0	0	16,804	847,018
0	0	(97,397)	(29,166)	0	0	(126,563)
<u>0</u>	<u>0</u>	<u>(97,397)</u>	<u>(29,166)</u>	<u>0</u>	<u>16,804</u>	<u>740,583</u>
0	75,140	(52,505)	(30,283)	(26,555)	21,902	376,654
<u>12,859</u>	<u>566,094</u>	<u>385,986</u>	<u>92,989</u>	<u>83,667</u>	<u>6,019</u>	<u>3,717,755</u>
<u>\$12,859</u>	<u>\$641,234</u>	<u>\$333,481</u>	<u>\$62,706</u>	<u>\$57,112</u>	<u>\$27,921</u>	<u>\$4,094,409</u>

**City of Lorain, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Capital Projects Funds*  
*December 31, 2006*

	General Sewer	Lighthouse Urban Renewal	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$420,221	\$351,591	\$282,327	\$189,840	\$1,243,979
Accounts Receivable	29,558	0	0	0	29,558
Interfund Receivable	7	0	0	3,893	3,900
Prepaid Items	0	2,934	0	0	2,934
<i>Total Assets</i>	<u>\$449,786</u>	<u>\$354,525</u>	<u>\$282,327</u>	<u>\$193,733</u>	<u>\$1,280,371</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$0	\$0	\$543	\$1,161	\$1,704
<b>Fund Balances</b>					
Reserved for Encumbrances	53,434	0	87,196	20,080	160,710
Unreserved, Undesignated	396,352	354,525	194,588	172,492	1,117,957
<i>Total Fund Balances</i>	<u>449,786</u>	<u>354,525</u>	<u>281,784</u>	<u>192,572</u>	<u>1,278,667</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$449,786</u>	<u>\$354,525</u>	<u>\$282,327</u>	<u>\$193,733</u>	<u>\$1,280,371</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, 2006*

	General Sewer	Lighthouse Urban Renewal	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
<b>Revenues</b>					
Charges for Services	\$531,519	\$0	\$0	\$0	\$531,519
Fines and Forfeitures	0	0	0	66,608	66,608
Interest	0	8,451	12,114	1,724	22,289
<i>Total Revenues</i>	<u>531,519</u>	<u>8,451</u>	<u>12,114</u>	<u>68,332</u>	<u>620,416</u>
<b>Expenditures</b>					
Capital Outlay	369,053	763,031	69,916	36,849	1,238,849
Debt Service:					
Principal Retirement	44,885	0	0	0	44,885
Interest and Fiscal Charges	14,774	0	0	0	14,774
Bond Issuance Costs	0	82,219	0	0	82,219
<i>Total Expenditures</i>	<u>428,712</u>	<u>845,250</u>	<u>69,916</u>	<u>36,849</u>	<u>1,380,727</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>102,807</u>	<u>(836,799)</u>	<u>(57,802)</u>	<u>31,483</u>	<u>(760,311)</u>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	0	1,510,000	0	0	1,510,000
Premium on Debt Issuance	0	4,628	0	0	4,628
Transfers Out	(12,146)	(323,304)	0	0	(335,450)
<i>Total Other Financing Sources (Uses)</i>	<u>(12,146)</u>	<u>1,191,324</u>	<u>0</u>	<u>0</u>	<u>1,179,178</u>
<i>Net Change in Fund Balances</i>	90,661	354,525	(57,802)	31,483	418,867
<i>Fund Balances Beginning of Year</i>	<u>359,125</u>	<u>0</u>	<u>339,586</u>	<u>161,089</u>	<u>859,800</u>
<i>Fund Balances End of Year</i>	<u>\$449,786</u>	<u>\$354,525</u>	<u>\$281,784</u>	<u>\$192,572</u>	<u>\$1,278,667</u>

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

### ***Internal Service Funds***

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

#### **Garage Fund**

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

#### **Hospitalization Fund**

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

**City of Lorain, Ohio**  
*Combining Statement of Fund Net Assets*  
*Internal Service Funds*  
*December 31, 2006*

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
<b>Assets</b>			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$19,703	\$449,209	\$468,912
Materials and Supplies Inventory	473,988	0	473,988
Interfund Receivable	477	0	477
	<u>494,168</u>	<u>449,209</u>	<u>943,377</u>
<i>Noncurrent Assets</i>			
Depreciable Capital Assets, Net	202,520	0	202,520
	<u>696,688</u>	<u>449,209</u>	<u>1,145,897</u>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accounts Payable	30,455	0	30,455
Accrued Wages and Benefits	8,752	296	9,048
Intergovernmental Payable	34,748	1,072	35,820
Interfund Payable	175,957	0	175,957
Claims Payable	0	519,412	519,412
Compensated Absences Payable	55,337	0	55,337
Bonds Payable	17,277	0	17,277
	<u>322,526</u>	<u>520,780</u>	<u>843,306</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	70,765	7,915	78,680
Bonds Payable	169,526	0	169,526
	<u>240,291</u>	<u>7,915</u>	<u>248,206</u>
<i>Total Long-Term Liabilities</i>	<u>240,291</u>	<u>7,915</u>	<u>248,206</u>
<i>Total Liabilities</i>	<u>562,817</u>	<u>528,695</u>	<u>1,091,512</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	15,717	0	15,717
Unrestricted (Deficit)	118,154	(79,486)	38,668
	<u>133,871</u>	<u>(79,486)</u>	<u>54,385</u>
<i>Total Net Assets (Deficit)</i>	<u>\$133,871</u>	<u>(\$79,486)</u>	<u>\$54,385</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, 2006*

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Charges for Services	\$1,515,163	\$3,724,108	\$5,239,271
Miscellaneous	0	7,730	7,730
<i>Total Operating Revenues</i>	<u>1,515,163</u>	<u>3,731,838</u>	<u>5,247,001</u>
<b>Operating Expenses</b>			
Personal Services	616,612	21,170	637,782
Materials and Supplies	821,457	0	821,457
Contractual Services	11,419	0	11,419
Claims	0	4,258,779	4,258,779
Other Operating Expenses	7,394	157	7,551
Depreciation	4,720	0	4,720
<i>Total Operating Expenses</i>	<u>1,461,602</u>	<u>4,280,106</u>	<u>5,741,708</u>
<i>Operating Income (Loss)</i>	53,561	(548,268)	(494,707)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Expense	<u>(10,311)</u>	<u>0</u>	<u>(10,311)</u>
<i>Change in Net Assets</i>	43,250	(548,268)	(505,018)
<i>Net Assets Beginning of Year</i>	<u>90,621</u>	<u>468,782</u>	<u>559,403</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$133,871</u></u>	<u><u>(\$79,486)</u></u>	<u><u>\$54,385</u></u>



**City of Lorain, Ohio**  
*Combining Statement of Cash Flows*  
*Internal Service Funds*  
For the Year Ended December 31, 2006

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Transactions with Other Funds	\$1,695,004	\$3,724,108	\$5,419,112
Cash Payments for Goods and Services	(950,644)	0	(950,644)
Cash Payments for Employee Services and Benefits	(610,722)	(20,488)	(631,210)
Cash Payments for Claims	0	(4,078,514)	(4,078,514)
Other Operating Revenues	0	7,730	7,730
Other Cash Payments	0	(157)	(157)
<i>Net Cash Provided By (Used for) Operating Activities</i>	<u>133,638</u>	<u>(367,321)</u>	<u>(233,683)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Advances In	175,957	0	175,957
Advances Out	(310,128)	0	(310,128)
<i>Net Cash Used for Noncapital Financing Activities</i>	<u>(134,171)</u>	<u>0</u>	<u>(134,171)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal Paid on Bonds	(14,757)	0	(14,757)
Interest Paid on Bonds	(10,311)	0	(10,311)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(25,068)</u>	<u>0</u>	<u>(25,068)</u>
Net Decrease in Cash and Cash Equivalents	(25,601)	(367,321)	(392,922)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>45,304</u>	<u>816,530</u>	<u>861,834</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$19,703</u>	<u>\$449,209</u>	<u>\$468,912</u>

(continued)

**City of Lorain, Ohio**  
*Combining Statement of Cash Flows*  
*Internal Service Funds (continued)*  
For the Year Ended December 31, 2006

	Garage	Hospitalization	Totals
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	\$53,561	(\$548,268)	(\$494,707)
<i>Adjustments:</i>			
Depreciation	4,720	0	4,720
<i>(Increase) Decrease in Assets:</i>			
Interfund Receivable	179,841	0	179,841
Materials and Supplies Inventory	(111,027)	0	(111,027)
Prepaid Items	112	0	112
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	616	0	616
Accrued Wages and Benefits	(129)	8	(121)
Claims Payable	0	180,265	180,265
Compensated Absences Payable	(1,503)	592	(911)
Intergovernmental Payable	7,447	82	7,529
<i>Total Adjustments</i>	80,077	180,947	261,024
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$133,638	(\$367,321)	(\$233,683)

## **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, 2006

	Beginning Balance 12/31/05	Additions	Deductions	Ending Balance 12/31/06
<b><i>Street Excavation</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,760	\$5,050	\$0	\$11,810
<b>Liabilities</b>				
Deposits Held and Due to Others	\$6,760	\$5,050	\$0	\$11,810
<b><i>Allotment Improvement</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$216,659	\$55,588	\$6,565	\$265,682
<b>Liabilities</b>				
Deposits Held and Due to Others	\$216,659	\$55,588	\$6,565	\$265,682
<b><i>Deposits Held</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$221,459	\$135,727	\$186,680	\$170,506
<b>Liabilities</b>				
Deposits Held and Due to Others	\$221,459	\$135,727	\$186,680	\$170,506
<b><i>Contracts Trust</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,620	\$3,290	\$1,583	\$8,327
<b>Liabilities</b>				
Deposits Held and Due to Others	\$6,620	\$3,290	\$1,583	\$8,327
<b><i>Vital Statistics</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$16,604	\$102,645	\$100,794	\$18,455
<b>Liabilities</b>				
Deposits Held and Due to Others	\$16,604	\$102,645	\$100,794	\$18,455

**City of Lorain, Ohio**  
*Combining Statement of Changes in Assets and Liabilities*  
*Agency Funds (continued)*  
*For the Year Ended December 31, 2006*

	Beginning Balance 12/31/05	Additions	Deductions	Ending Balance 12/31/06
<b><i>Flexible Spending</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$35,884	\$102,444	\$94,249	\$44,079
<b>Liabilities</b>				
Deposits Held and Due to Others	\$35,884	\$102,444	\$94,249	\$44,079
<b><i>County User Fee</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,311	\$37,844	\$36,078	\$5,077
<b>Liabilities</b>				
Deposits Held and Due to Others	\$3,311	\$37,844	\$36,078	\$5,077
<b><i>State Highway Patrol</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$7,005	\$16,994	\$23,999	\$0
<b>Liabilities</b>				
Deposits Held and Due to Others	\$7,005	\$16,994	\$23,999	\$0
<b><i>Total - All Agency Funds</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$514,302	\$459,582	\$449,948	\$523,936
<b>Liabilities</b>				
Deposits Held and Due to Others	\$514,302	\$459,582	\$449,948	\$523,936

**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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Taxes	\$2,862,967	\$2,862,967	\$2,860,187	(\$2,780)
Municipal Income Taxes	15,898,328	15,898,328	17,371,368	1,473,040
Charges for Services	623,928	642,528	530,028	(112,500)
Licenses and Permits	1,122,550	1,129,335	1,062,446	(66,889)
Fines and Forfeitures	1,225,000	1,098,589	1,175,409	76,820
Intergovernmental	5,240,228	5,240,228	5,186,510	(53,718)
Interest	100,500	332,518	424,074	91,556
Miscellaneous	71,355	194,351	181,925	(12,426)
<i>Total Revenues</i>	<u>27,144,856</u>	<u>27,398,844</u>	<u>28,791,947</u>	<u>1,393,103</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government</b>				
<b>Civil Service:</b>				
Wages and Benefits	75,873	78,830	78,881	(51)
Contractual Services	6,000	8,400	8,121	279
Materials and Supplies	175	175	72	103
Other	5,000	4,100	3,456	644
<i>Total Civil Service</i>	<u>87,048</u>	<u>91,505</u>	<u>90,530</u>	<u>975</u>
<b>Council:</b>				
Wages and Benefits	266,612	248,082	247,985	97
Contractual Services	10,420	9,720	9,520	200
Materials and Supplies	1,500	1,500	1,322	178
Capital Outlay	235	485	480	5
Other	6,787	7,237	7,122	115
<i>Total Council</i>	<u>285,554</u>	<u>267,024</u>	<u>266,429</u>	<u>595</u>
<b>Mayor:</b>				
Wages and Benefits	152,054	167,024	167,033	(9)
Contractual Services	5,172	5,172	5,169	3
Materials and Supplies	0	3,720	3,252	468
<i>Total Mayor</i>	<u>157,226</u>	<u>175,916</u>	<u>175,454</u>	<u>462</u>
<b>Auditor:</b>				
Wages and Benefits	476,424	435,250	434,485	765
Contractual Services	67,185	67,185	63,496	3,689
Materials and Supplies	33,208	33,208	32,820	388
Other	470	470	398	72
<i>Total Auditor</i>	<u>\$577,287</u>	<u>\$536,113</u>	<u>\$531,199</u>	<u>\$4,914</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Treasurer:</b>				
Wages and Benefits	\$476,706	\$418,523	\$417,435	\$1,088
Contractual Services	13,848	12,048	11,768	280
Materials and Supplies	10,124	13,924	13,830	94
Capital Outlay	1,928	1,928	1,928	0
Other	3,853	5,173	4,672	501
<i>Total Treasurer</i>	<u>506,459</u>	<u>451,596</u>	<u>449,633</u>	<u>1,963</u>
<b>Law Director:</b>				
Wages and Benefits	722,338	713,318	713,134	184
Contractual Services	700	1,095	971	124
Materials and Supplies	16,450	20,750	20,728	22
Capital Outlay	9,674	8,474	8,013	461
Other	8,473	4,978	4,916	62
<i>Total Law Director</i>	<u>757,635</u>	<u>748,615</u>	<u>747,762</u>	<u>853</u>
<b>Judges:</b>				
Wages and Benefits	746,268	709,855	708,112	1,743
Contractual Services	21,405	21,405	15,186	6,219
Materials and Supplies	5,415	9,375	9,054	321
Other	13,600	14,690	13,689	1,001
<i>Total Judges</i>	<u>786,688</u>	<u>755,325</u>	<u>746,041</u>	<u>9,284</u>
<b>Clerk of Courts:</b>				
Wages and Benefits	782,661	749,752	748,685	1,067
Contractual Services	18,496	18,496	17,370	1,126
Materials and Supplies	79,508	57,055	54,835	2,220
Other	0	6,300	5,307	993
<i>Total Clerk of Courts</i>	<u>880,665</u>	<u>831,603</u>	<u>826,197</u>	<u>5,406</u>
<b>Electrical:</b>				
Wages and Benefits	444,861	441,057	441,332	(275)
Contractual Services	64,400	40,400	37,393	3,007
Materials and Supplies	46,239	37,889	30,437	7,452
Capital Outlay	10,000	10,000	10,000	0
Other	2,232	3,592	1,520	2,072
<i>Total Electrical</i>	<u>\$567,732</u>	<u>\$532,938</u>	<u>\$520,682</u>	<u>\$12,256</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Safety/Service:</b>				
Wages and Benefits	\$268,059	\$379,039	\$376,402	\$2,637
Contractual Services	514,482	526,600	1,407,879	(881,279)
Materials and Supplies	87,259	78,809	70,328	8,481
Capital Outlay	134,425	137,925	137,925	0
Other	140,150	196,031	184,408	11,623
<i>Total Safety/Service</i>	<u>1,144,375</u>	<u>1,318,404</u>	<u>2,176,942</u>	<u>(858,538)</u>
<b>Engineering:</b>				
Wages and Benefits	810,722	837,931	832,589	5,342
Contractual Services	5,710	7,310	6,001	1,309
Materials and Supplies	17,152	22,352	20,654	1,698
Capital Outlay	43,818	6,818	6,818	0
Other	2,200	2,200	1,796	404
<i>Total Engineering</i>	<u>879,602</u>	<u>876,611</u>	<u>867,858</u>	<u>8,753</u>
<b>Data Processing:</b>				
Wages and Benefits	180,526	158,437	158,545	(108)
Contractual Services	178,175	179,134	162,329	16,805
Materials and Supplies	24,265	23,150	16,771	6,379
Capital Outlay	30,000	43,700	42,054	1,646
Other	1,350	306	107	199
<i>Total Data Processing</i>	<u>414,316</u>	<u>404,727</u>	<u>379,806</u>	<u>24,921</u>
<i>Total General Government</i>	<u>7,044,587</u>	<u>6,990,377</u>	<u>7,778,533</u>	<u>(788,156)</u>
<b>Security of Persons and Property</b>				
<b>Police Department:</b>				
Wages and Benefits	7,062,169	7,207,077	8,065,722	(858,645)
Contractual Services	239,573	294,076	278,162	15,914
Materials and Supplies	512,066	519,590	504,520	15,070
Other	29,876	29,876	29,692	184
<i>Total Police Department</i>	<u>7,843,684</u>	<u>8,050,619</u>	<u>8,878,096</u>	<u>(827,477)</u>
<b>Fire Department</b>				
Wages and Benefits	5,917,539	6,328,171	7,211,386	(883,215)
Contractual Services	332,305	325,305	318,997	6,308
Materials and Supplies	160,678	180,678	173,213	7,465
Capital Outlay	629,443	629,443	628,672	771
Other	14,696	14,696	14,632	64
<i>Total Fire Department</i>	<u>7,054,661</u>	<u>7,478,293</u>	<u>8,346,900</u>	<u>(868,607)</u>
<i>Total Security of Persons and Property</i>	<u>\$14,898,345</u>	<u>\$15,528,912</u>	<u>\$17,224,996</u>	<u>(\$1,696,084)</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public Health Services</b>				
<b>Cemetery:</b>				
Wages and Benefits	\$194,098	\$195,668	\$195,197	\$471
Contractual Services	11,100	10,600	10,292	308
Materials and Supplies	37,333	31,033	28,732	2,301
<i>Total Cemetery</i>	<u>242,531</u>	<u>237,301</u>	<u>234,221</u>	<u>3,080</u>
<b>Dog Warden:</b>				
Wages and Benefits	37,721	3,264	3,264	0
Materials and Supplies	3,279	2,496	2,495	1
<i>Total Dog Warden</i>	<u>41,000</u>	<u>5,760</u>	<u>5,759</u>	<u>1</u>
<i>Total Public Health Services</i>	<u>283,531</u>	<u>243,061</u>	<u>239,980</u>	<u>3,081</u>
<b>Community Environment</b>				
<b>Building Inspection:</b>				
Wages and Benefits	589,155	582,264	583,482	(1,218)
Contractual Services	7,800	15,135	15,221	(86)
Materials and Supplies	26,927	17,577	16,001	1,576
Capital Outlay	850	850	850	0
Other	6,500	9,400	8,204	1,196
<i>Total Community Environment</i>	<u>631,232</u>	<u>625,226</u>	<u>623,758</u>	<u>1,468</u>
<b>Leisure Time Activities</b>				
<b>Parks Department:</b>				
Wages and Benefits	659,948	701,764	706,588	(4,824)
Contractual Services	84,500	81,000	76,230	4,770
Materials and Supplies	145,730	153,025	153,697	(672)
Other	4,250	4,250	3,638	612
<i>Total Leisure Time Activities</i>	<u>894,428</u>	<u>940,039</u>	<u>940,153</u>	<u>(114)</u>
<b>Debt Service:</b>				
Principal Retirement	193,366	193,366	193,366	0
Interest and Fiscal Charges	142,738	142,738	142,737	1
<i>Total Debt Service</i>	<u>336,104</u>	<u>336,104</u>	<u>336,103</u>	<u>1</u>
<i>Total Expenditures</i>	<u>\$24,088,227</u>	<u>\$24,663,719</u>	<u>\$27,143,523</u>	<u>(\$2,479,804)</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over Expenditures</i>	\$3,056,629	\$2,735,125	\$1,648,424	(\$1,086,701)
<b>Other Financing Sources (Uses):</b>				
Advances In	310,128	1,060,128	810,128	(250,000)
Advances Out	(809,000)	(1,425,957)	(1,425,957)	0
Transfers In	133,703	271,703	126,563	(145,140)
Transfers Out	(1,344,230)	(1,302,236)	(1,287,223)	15,013
<i>Total Other Financing Sources (Uses)</i>	(1,709,399)	(1,396,362)	(1,776,489)	(380,127)
<i>Net Change in Fund Balance</i>	1,347,230	1,338,763	(128,065)	(1,466,828)
<i>Fund Balance (Deficit) Beginning of Year</i>	(2,063,527)	(2,063,527)	(2,063,527)	0
Prior Year Encumbrances Appropriated	839,357	839,357	839,357	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$123,060</u>	<u>\$114,593</u>	<u>(\$1,352,235)</u>	<u>(\$1,466,828)</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$6,763,900	\$9,447,581	\$6,076,399	(\$3,371,182)
Licenses and Permits	0	30,000	97,282	67,282
Interest	48,965	48,965	124,878	75,913
Miscellaneous	196,650	254,658	171,977	(82,681)
<i>Total Revenues</i>	<u>7,009,515</u>	<u>9,781,204</u>	<u>6,470,536</u>	<u>(3,310,668)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Economic Development				
Wages and Benefits	1,449,273	1,879,719	1,368,806	510,913
Contractual Services	3,123,896	8,744,821	5,237,622	3,507,199
Capital Outlay	692,301	733,514	513,414	220,100
Other	3,277,872	3,435,872	1,041,486	2,394,386
<i>Total Economic Development</i>	<u>8,543,342</u>	<u>14,793,926</u>	<u>8,161,328</u>	<u>6,632,598</u>
Debt Service:				
Principal Retirement	905,496	905,496	445,000	460,496
Interest and Fiscal Charges	486,222	486,222	436,222	50,000
<i>Total Debt Service</i>	<u>1,391,718</u>	<u>1,391,718</u>	<u>881,222</u>	<u>510,496</u>
<i>Total Expenditures</i>	<u>9,935,060</u>	<u>16,185,644</u>	<u>9,042,550</u>	<u>7,143,094</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,925,545)</u>	<u>(6,404,440)</u>	<u>(2,572,014)</u>	<u>3,832,426</u>
<b>Other Financing Sources:</b>				
Loans Received	0	2,300,000	1,240,041	(1,059,959)
Notes Issued	0	280,000	280,000	0
Transfers In	214,174	771,674	140,000	(631,674)
<i>Total Other Financing Sources</i>	<u>214,174</u>	<u>3,351,674</u>	<u>1,660,041</u>	<u>(1,691,633)</u>
<i>Net Change in Fund Balance</i>	<u>(2,711,371)</u>	<u>(3,052,766)</u>	<u>(911,973)</u>	<u>2,140,793</u>
<i>Fund Balance Beginning of Year</i>	2,790,571	2,790,571	2,790,571	0
Prior Year Encumbrances Appropriated	972,961	972,961	972,961	0
<i>Fund Balance End of Year</i>	<u>\$1,052,161</u>	<u>\$710,766</u>	<u>\$2,851,559</u>	<u>\$2,140,793</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Taxes	\$1,049,381	\$1,049,381	\$1,090,813	\$41,432
Intergovernmental	135,028	135,028	132,449	(2,579)
Interest	60,000	60,000	102,755	42,755
Miscellaneous	21,063	49,383	408,810	359,427
<i>Total Revenues</i>	<u>1,265,472</u>	<u>1,293,792</u>	<u>1,734,827</u>	<u>441,035</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government				
Other	33,000	73,255	66,416	6,839
<b>Debt Service:</b>				
Principal Retirement	6,558,260	6,570,618	6,570,617	1
Interest and Fiscal Charges	993,328	1,094,035	1,094,035	0
<i>Total Debt Service</i>	<u>7,551,588</u>	<u>7,664,653</u>	<u>7,664,652</u>	<u>1</u>
<i>Total Expenditures</i>	<u>7,584,588</u>	<u>7,737,908</u>	<u>7,731,068</u>	<u>6,840</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(6,319,116)</u>	<u>(6,444,116)</u>	<u>(5,996,241)</u>	<u>447,875</u>
<b>Other Financing Sources:</b>				
Notes Issued	5,495,000	5,620,000	5,620,000	0
Transfers In	824,116	1,012,048	564,642	(447,406)
<i>Total Other Financing Sources</i>	<u>6,319,116</u>	<u>6,632,048</u>	<u>6,184,642</u>	<u>(447,406)</u>
<i>Net Change in Fund Balance</i>	0	187,932	188,401	469
<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>\$0</u>	<u>\$187,932</u>	<u>\$188,401</u>	<u>\$469</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$1,826,224	\$1,826,224	\$1,716,380	(\$109,844)
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	2,472,545	2,572,545	1,850,889	721,656
Capital Outlay	2,228,200	2,228,200	2,228,200	0
<i>Total Expenditures</i>	4,700,745	4,800,745	4,079,089	721,656
<i>Excess of Revenues Under Expenditures</i>	(2,874,521)	(2,974,521)	(2,362,709)	611,812
<b>Other Financing Sources :</b>				
ODOT-SIB Loans Received	0	0	953,999	953,999
OPWC Loans Received	0	0	458,883	458,883
Transfers In	670,056	770,056	12,146	(757,910)
<i>Total Other Financing Sources</i>	670,056	770,056	1,425,028	654,972
<i>Net Change in Fund Balance</i>	(2,204,465)	(2,204,465)	(937,681)	1,266,784
<i>Fund Balance Beginning of Year</i>	2,142,068	2,142,068	2,142,068	0
Prior Year Encumbrances Appropriated	353,270	353,270	353,270	0
<i>Fund Balance End of Year</i>	\$290,873	\$290,873	\$1,557,657	\$1,266,784

**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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$8,602,400	\$8,601,200	\$8,294,243	(\$306,957)
Interest	12,000	29,000	46,787	17,787
Miscellaneous	63,750	63,750	45,319	(18,431)
<i>Total Revenues</i>	<u>8,678,150</u>	<u>8,693,950</u>	<u>8,386,349</u>	<u>(307,601)</u>
<b>Expenses:</b>				
Personal Services	3,441,326	3,391,050	3,388,629	2,421
Contractual Services	852,395	855,395	838,919	16,476
Materials and Supplies	686,510	834,451	744,882	89,569
Basic Utilities	613,500	643,500	640,343	3,157
Capital Outlay	464,531	640,499	349,269	291,230
Other Expense	245,527	271,595	245,212	26,383
Debt Service:				
Principal Retirement	963,906	957,685	957,684	1
Interest and Fiscal Charges	883,110	882,026	882,023	3
<i>Total Expenses</i>	<u>8,150,805</u>	<u>8,476,201</u>	<u>8,046,961</u>	<u>429,240</u>
<i>Excess of Revenues Over Expenses</i>	527,345	217,749	339,388	121,639
Advances In	375,000	750,000	625,000	(125,000)
Advances Out	0	(1,015,000)	(890,000)	125,000
<i>Excess of Revenues and Advances Over (Under) Expenses</i>	902,345	(47,251)	74,388	121,639
<i>Fund Equity Beginning of Year</i>	2,270,784	2,270,784	2,270,784	0
Prior Year Encumbrances Appropriated	168,055	168,055	168,055	0
<i>Fund Equity End of Year</i>	<u>\$3,341,184</u>	<u>\$2,391,588</u>	<u>\$2,513,227</u>	<u>\$121,639</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$9,964,100	\$9,964,100	\$10,098,014	\$133,914
OWDA Loans Received	200,000	200,000	1,746,188	1,546,188
Interest	1,500	17,500	57,239	39,739
Miscellaneous	14,596	42,453	11,296	(31,157)
<i>Total Revenues</i>	<u>10,180,196</u>	<u>10,224,053</u>	<u>11,912,737</u>	<u>1,688,684</u>
<b>Expenses:</b>				
Personal Services	3,922,926	4,079,977	3,983,590	96,387
Contractual Services	1,889,996	1,911,996	1,821,523	90,473
Materials and Supplies	506,509	683,159	598,278	84,881
Basic Utilities	735,000	735,000	718,406	16,594
Capital Outlay	418,152	2,141,942	3,556,107	(1,414,165)
Other Operating Expense	258,526	925,501	243,672	681,829
Debt Service:				
Principal Retirement	1,802,809	1,584,242	1,584,241	1
Interest and Fiscal Charges	799,296	860,799	790,845	69,954
<i>Total Expenses</i>	<u>10,333,214</u>	<u>12,922,616</u>	<u>13,296,662</u>	<u>(374,046)</u>
<i>Excess of Revenues Under Expenses</i>	(153,018)	(2,698,563)	(1,383,925)	1,314,638
Advances In	375,000	1,390,000	1,265,000	(125,000)
Advances Out	0	(375,000)	(250,000)	125,000
<i>Excess of Revenues and Advances Over (Under) Expenses</i>	221,982	(1,683,563)	(368,925)	1,314,638
<i>Fund Equity Beginning of Year</i>	2,728,463	2,728,463	2,728,463	0
Prior Year Encumbrances Appropriated	742,020	742,020	742,020	0
<i>Fund Equity End of Year</i>	<u>\$3,692,465</u>	<u>\$1,786,920</u>	<u>\$3,101,558</u>	<u>\$1,314,638</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$2,418,500	\$2,418,500	\$2,265,357	(\$153,143)
<b>Expenditures:</b>				
Current:				
Transportation				
Wages and Benefits	1,334,123	1,269,686	1,198,311	71,375
Contractual Services	33,006	40,006	39,513	493
Materials and Supplies	785,247	840,347	809,358	30,989
Capital Outlay	532,874	547,874	547,087	787
Other	3,150	5,487	3,701	1,786
<i>Total Transportation</i>	<u>2,688,400</u>	<u>2,703,400</u>	<u>2,597,970</u>	<u>105,430</u>
Debt Service:				
Principal Retirement	277,749	277,749	232,864	44,885
Interest and Fiscal Charges	64,472	64,472	49,698	14,774
<i>Total Debt Service</i>	<u>342,221</u>	<u>342,221</u>	<u>282,562</u>	<u>59,659</u>
<i>Total Expenditures</i>	<u>3,030,621</u>	<u>3,045,621</u>	<u>2,880,532</u>	<u>165,089</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(612,121)</u>	<u>(627,121)</u>	<u>(615,175)</u>	<u>11,946</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	20,128	20,128	20,128	0
Transfers In	150,000	150,000	358,667	208,667
Transfers Out	(50,000)	(50,000)	0	50,000
<i>Total Other Financing Sources (Uses)</i>	<u>120,128</u>	<u>120,128</u>	<u>378,795</u>	<u>258,667</u>
<i>Net Change in Fund Balance</i>	(491,993)	(506,993)	(236,380)	270,613
<i>Fund Balance Beginning of Year</i>	791	791	791	0
Prior Year Encumbrances Appropriated	584,890	584,890	584,890	0
<i>Fund Balance End of Year</i>	<u>\$93,688</u>	<u>\$78,688</u>	<u>\$349,301</u>	<u>\$270,613</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$270,000	\$270,000	\$255,669	(\$14,331)
<b>Expenditures:</b>				
Current:				
Transportation				
Contractual Services	150,000	150,000	150,000	0
Materials and Supplies	156,286	156,286	152,279	4,007
<i>Total Expenditures</i>	<u>306,286</u>	<u>306,286</u>	<u>302,279</u>	<u>4,007</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(36,286)</u>	<u>(36,286)</u>	<u>(46,610)</u>	<u>(10,324)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	30,000	30,000	0	(30,000)
Transfers Out	(150,000)	(150,000)	0	150,000
 Total Other Sources (Uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>0</u>	<u>120,000</u>
<i>Net Change in Fund Balance</i>	(156,286)	(156,286)	(46,610)	109,676
<i>Fund Balance Beginning of Year</i>	5,157	5,157	5,157	0
Prior Year Encumbrances Appropriated	<u>156,286</u>	<u>156,286</u>	<u>156,286</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,157</u></u>	<u><u>\$5,157</u></u>	<u><u>\$114,833</u></u>	<u><u>\$109,676</u></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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Charges for Services	\$479,825	\$479,825	\$555,950	\$76,125
Licenses and Permits	242,460	242,460	271,670	29,210
Intergovernmental	494,847	586,616	475,510	(111,106)
<i>Total Revenues</i>	<u>1,217,132</u>	<u>1,308,901</u>	<u>1,303,130</u>	<u>(5,771)</u>
<b>Expenditures:</b>				
Current:				
Public Health and Welfare				
Wages and Benefits	1,315,608	1,350,608	1,339,705	10,903
Contractual Services	326,150	354,169	342,661	11,508
Materials and Supplies	26,133	42,533	32,224	10,309
Capital Outlay	2,293	14,293	14,293	0
Other	54,090	54,440	45,923	8,517
<i>Total Public Health and Welfare</i>	<u>1,724,274</u>	<u>1,816,043</u>	<u>1,774,806</u>	<u>41,237</u>
Debt Service:				
Principal Retirement	2,667	2,667	2,667	0
Interest and Fiscal Charges	1,863	1,863	1,863	0
<i>Total Debt Service</i>	<u>4,530</u>	<u>4,530</u>	<u>4,530</u>	<u>0</u>
<i>Total Expenditures</i>	<u>1,728,804</u>	<u>1,820,573</u>	<u>1,779,336</u>	<u>41,237</u>
<i>Excess of Revenues Under Expenditures</i>	(511,672)	(511,672)	(476,206)	35,466
<b>Other Financing Sources:</b>				
Transfers In	507,604	507,604	471,547	(36,057)
<i>Net Change in Fund Balance</i>	(4,068)	(4,068)	(4,659)	(591)
<i>Fund Balance Beginning of Year</i>	591	591	591	0
Prior Year Encumbrances Appropriated	4,068	4,068	4,068	0
<i>Fund Balance End of Year</i>	<u>\$591</u>	<u>\$591</u>	<u>\$0</u>	<u>(\$591)</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$226,690	\$226,690	\$224,690	(\$2,000)
<b>Expenditures:</b>				
Current:				
Community Environment				
Materials and Supplies	38,186	38,186	23,433	14,753
Capital Outlay	193,356	193,356	74,723	118,633
<i>Total Expenditures</i>	<u>231,542</u>	<u>231,542</u>	<u>98,156</u>	<u>133,386</u>
<i>Net Change in Fund Balance</i>	(4,852)	(4,852)	126,534	131,386
<i>Fund Balance Beginning of Year</i>	5,210	5,210	5,210	0
Prior Year Encumbrances Appropriated	<u>83</u>	<u>83</u>	<u>83</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$441</u></u>	<u><u>\$441</u></u>	<u><u>\$131,827</u></u>	<u><u>\$131,386</u></u>

**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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal Income Taxes	\$2,249,761	\$2,249,761	\$2,452,400	\$202,639
Charges for Services	0	9,000	9,000	0
Intergovernmental	90,000	90,000	120,586	30,586
Miscellaneous	2,501	2,501	14,209	11,708
<i>Total Revenues</i>	<u>2,342,262</u>	<u>2,351,262</u>	<u>2,596,195</u>	<u>244,933</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Wages and Benefits	1,431,461	1,512,624	1,307,610	205,014
Contractual Services	79,278	79,278	68,456	10,822
Materials and Supplies	173,676	238,776	212,471	26,305
Capital Outlay	418,587	439,080	423,321	15,759
Other	113,759	113,759	89,784	23,975
<i>Total Security of Persons and Property</i>	<u>2,216,761</u>	<u>2,383,517</u>	<u>2,101,642</u>	<u>281,875</u>
Debt Service:				
Principal Retirement	150,000	150,000	150,000	0
Interest and Fiscal Charges	134,786	134,786	134,785	1
<i>Total Debt Service</i>	<u>284,786</u>	<u>284,786</u>	<u>284,785</u>	<u>1</u>
<i>Total Expenditures</i>	<u>2,501,547</u>	<u>2,668,303</u>	<u>2,386,427</u>	<u>281,876</u>
<i>Net Change in Fund Balance</i>	(159,285)	(317,041)	209,768	526,809
<i>Fund Balance Beginning of Year</i>	999,726	999,726	999,726	0
Prior Year Encumbrances Appropriated	54,709	54,709	54,709	0
<i>Fund Balance End of Year</i>	<u>\$895,150</u>	<u>\$737,394</u>	<u>\$1,264,203</u>	<u>\$526,809</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and Forfeitures	\$20,000	\$20,000	\$20,510	\$510
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Other	20,000	20,000	19,597	403
<i>Net Change in Fund Balance</i>	0	0	913	913
<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>\$14,719</u>	<u>\$913</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Taxes	\$265,314	\$265,314	\$269,154	\$3,840
Intergovernmental	37,508	37,508	33,036	(4,472)
Miscellaneous	100	100	0	(100)
<i>Total Revenues</i>	<u>302,922</u>	<u>302,922</u>	<u>302,190</u>	<u>(732)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property				
Wages and Benefits	0	52,300	39,558	12,742
Other	4,000	4,000	2,169	1,831
<i>Total Security of Persons and Property</i>	<u>4,000</u>	<u>56,300</u>	<u>41,727</u>	<u>14,573</u>
Debt Service:				
Principal Retirement	19,250	19,250	19,250	0
Interest and Fiscal Charges	31,924	31,924	31,924	0
<i>Total Debt Service</i>	<u>51,174</u>	<u>51,174</u>	<u>51,174</u>	<u>0</u>
<i>Total Expenditures</i>	<u>55,174</u>	<u>107,474</u>	<u>92,901</u>	<u>14,573</u>
<i>Net Change in Fund Balance</i>	247,748	195,448	209,289	13,841
<i>Fund Balance Beginning of Year</i>	<u>272,372</u>	<u>272,372</u>	<u>272,372</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$520,120</u>	<u>\$467,820</u>	<u>\$481,661</u>	<u>\$13,841</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Taxes	\$265,314	\$265,314	\$269,153	\$3,839
Intergovernmental	37,508	37,508	33,036	(4,472)
<i>Total Revenues</i>	<u>302,822</u>	<u>302,822</u>	<u>302,189</u>	<u>(633)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Wages and Benefits	0	102,700	57,083	45,617
Other	4,000	4,000	2,170	1,830
<i>Total Security of Persons and Property</i>	<u>4,000</u>	<u>106,700</u>	<u>59,253</u>	<u>47,447</u>
Debt Service:				
Principal Retirement	35,750	35,750	35,750	0
Interest and Fiscal Charges	59,288	59,288	59,287	1
<i>Total Debt Service</i>	<u>95,038</u>	<u>95,038</u>	<u>95,037</u>	<u>1</u>
<i>Total Expenditures</i>	<u>99,038</u>	<u>201,738</u>	<u>154,290</u>	<u>47,448</u>
<i>Net Change in Fund Balance</i>	203,784	101,084	147,899	46,815
<i>Fund Balance Beginning of Year</i>	<u>221,458</u>	<u>221,458</u>	<u>221,458</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$425,242</u></u>	<u><u>\$322,542</u></u>	<u><u>\$369,357</u></u>	<u><u>\$46,815</u></u>



**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Indigent Drivers Fund**  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$15,000	\$15,000	\$16,785	\$1,785
<b>Expenditures:</b>				
Current:				
General Government				
Contractual Services	40,000	40,000	19,198	20,802
<i>Net Change in Fund Balance</i>	(25,000)	(25,000)	(2,413)	22,587
<i>Fund Balance Beginning of Year</i>	136,245	136,245	136,245	0
<i>Fund Balance End of Year</i>	<u>\$111,245</u>	<u>\$111,245</u>	<u>\$133,832</u>	<u>\$22,587</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Miscellaneous	\$10,000	\$10,000	\$14,500	\$4,500
<b>Expenditures:</b>				
Current:				
Leisure Time Activities				
Contractual Services	1,200	1,200	1,015	185
Capital Outlay	71,998	71,998	62,100	9,898
<b>Total Expenditures</b>	<b>73,198</b>	<b>73,198</b>	<b>63,115</b>	<b>10,083</b>
<i>Net Change in Fund Balance</i>	(63,198)	(63,198)	(48,615)	14,583
<i>Fund Balance Beginning of Year</i>	73,198	73,198	73,198	0
<i>Fund Balance End of Year</i>	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$24,583</u>	<u>\$14,583</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Total Revenues</b>	\$0	\$0	\$0	\$0
Expenditures:				
Current:				
Public Health and Welfare				
Contractual Services	12,859	12,859	0	12,859
Capital Outlay	7,309	7,309	7,309	0
<b>Total Expenditures</b>	20,168	20,168	7,309	12,859
<b>Net Change in Fund Balance</b>	(20,168)	(20,168)	(7,309)	12,859
<b>Fund Balance Beginning of Year</b>	12,860	12,860	12,860	0
<b>Prior Year Encumbrances Appropriated</b>	7,309	7,309	7,309	0
<b>Fund Balance End of Year</b>	\$1	\$1	\$12,860	\$12,859

**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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Fines and Forfeitures	\$71,234	\$71,234	\$120,926	\$49,692
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Other	250,000	250,000	45,786	204,214
<i>Net Change in Fund Balance</i>	(178,766)	(178,766)	75,140	253,906
<i>Fund Balance Beginning of Year</i>	566,094	566,094	566,094	0
<i>Fund Balance End of Year</i>	<u>\$387,328</u>	<u>\$387,328</u>	<u>\$641,234</u>	<u>\$253,906</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$35,000	\$140,000	\$140,913	\$913
<b>Expenditures:</b>				
Current:				
General Government				
Wages and Benefits	58,700	61,500	61,423	77
Contractual Services	14,470	14,470	14,028	442
Materials and Supplies	3,750	3,750	1,586	2,164
Capital Outlay	60,000	60,000	25,707	34,293
Other	8,000	5,200	0	5,200
<i>Total Expenditures</i>	144,920	144,920	102,744	42,176
<i>Excess of Revenues Over (Under) Expenditures</i>	(109,920)	(4,920)	38,169	43,089
<b>Other Financing Uses:</b>				
Transfers Out	0	(110,500)	(97,397)	13,103
<i>Net Change in Fund Balance</i>	(109,920)	(115,420)	(59,228)	56,192
<i>Fund Balance Beginning of Year</i>	378,495	378,495	378,495	0
Prior Year Encumbrances Appropriated	3,305	3,305	3,305	0
<i>Fund Balance End of Year</i>	\$271,880	\$266,380	\$322,572	\$56,192

**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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$10,000	\$40,000	\$42,283	\$2,283
<b>Expenditures:</b>				
Current:				
General Government				
Capital Outlay	46,870	46,870	46,544	326
<i>Excess of Revenues Under Expenditures</i>	(36,870)	(6,870)	(4,261)	2,609
<b>Other Financing Uses:</b>				
Transfers Out	0	(33,000)	(29,166)	3,834
<i>Net Change in Fund Balance</i>	(36,870)	(39,870)	(33,427)	6,443
<i>Fund Balance Beginning of Year</i>	63,418	63,418	63,418	0
<i>Prior Year Encumbrances Appropriated</i>	26,870	26,870	26,870	0
<i>Fund Balance End of Year</i>	<u>\$53,418</u>	<u>\$50,418</u>	<u>\$56,861</u>	<u>\$6,443</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$50,000	\$50,000	\$50,120	\$120
<b>Expenditures:</b>				
Current:				
General Government				
Wages and Benefits	73,622	73,622	71,737	1,885
<i>Net Change in Fund Balance</i>	(23,622)	(23,622)	(21,617)	2,005
<i>Fund Balance Beginning of Year</i>	82,385	82,385	82,385	0
<i>Fund Balance End of Year</i>	\$58,763	\$58,763	\$60,768	\$2,005

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Municipal Court Probation Fund**  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$5,000	\$47,000	\$42,634	(\$4,366)
<b>Expenditures:</b>				
Current:				
Security of Persons and Property				
Wages and Benefits	0	37,062	36,838	224
<i>Excess of Revenues Over Expenditures</i>	5,000	9,938	5,796	(4,142)
<b>Other Financing Sources:</b>				
Transfers In	0	0	16,804	16,804
<i>Net Change in Fund Balance</i>	5,000	9,938	22,600	12,662
<i>Fund Balance Beginning of Year</i>	3,844	3,844	3,844	0
<i>Fund Balance End of Year</i>	<u>\$8,844</u>	<u>\$13,782</u>	<u>\$26,444</u>	<u>\$12,662</u>



**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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Special Assessments	\$85,000	\$85,000	\$82,614	(\$2,386)
<b>Expenditures:</b>				
Current:				
General Government				
Other	7,000	7,000	3,261	3,739
Debt Service:				
Principal Retirement	97,705	97,705	97,704	1
Interest and Fiscal Charges	40,516	40,516	40,516	0
<i>Total Debt Service</i>	<u>138,221</u>	<u>138,221</u>	<u>138,220</u>	<u>1</u>
<i>Total Expenditures</i>	<u>145,221</u>	<u>145,221</u>	<u>141,481</u>	<u>3,740</u>
<i>Excess of Revenues Under Expenditures</i>	(60,221)	(60,221)	(58,867)	1,354
<b>Other Financing Sources:</b>				
Transfers In	60,500	60,500	58,867	(1,633)
<i>Net Change in Fund Balance</i>	279	279	0	(279)
<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>\$279</u></u>	<u><u>\$279</u></u>	<u><u>\$0</u></u>	<u><u>(\$279)</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$405,002	\$405,002	\$501,977	\$96,975
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	168,629	165,326	129,559	35,767
Capital Outlay	575,000	515,340	281,791	233,549
Other	7,835	11,138	11,137	1
<i>Total Capital Outlay</i>	<u>751,464</u>	<u>691,804</u>	<u>422,487</u>	<u>269,317</u>
Debt Service:				
Principal Retirement	0	44,886	44,885	1
Interest and Fiscal Charges	0	14,774	14,774	0
<i>Total Debt Service</i>	<u>0</u>	<u>59,660</u>	<u>59,659</u>	<u>1</u>
<i>Total Expenditures</i>	<u>751,464</u>	<u>751,464</u>	<u>482,146</u>	<u>269,318</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(346,462)	(346,462)	19,831	366,293
<b>Other Financing Uses:</b>				
Transfers Out	(12,146)	(12,146)	(12,146)	0
<i>Net Change in Fund Balance</i>	(358,608)	(358,608)	7,685	366,293
<i>Fund Balance Beginning of Year</i>	344,984	344,984	344,984	0
Prior Year Encumbrances Appropriated	14,118	14,118	14,118	0
<i>Fund Balance End of Year</i>	<u>\$494</u>	<u>\$494</u>	<u>\$366,787</u>	<u>\$366,293</u>

**City of Lorain, Ohio**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Non - GAAP Basis)*  
**Lighthouse Urban Renewal Fund**  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Interest	\$0	\$0	\$7,229	\$7,229
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	1,104,477	1,104,477	765,965	338,512
Debt Service:				
Bond Issuance Costs	82,219	82,219	82,219	0
<i>Total Expenditures</i>	<u>1,186,696</u>	<u>1,186,696</u>	<u>848,184</u>	<u>338,512</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,186,696)</u>	<u>(1,186,696)</u>	<u>(840,955)</u>	<u>345,741</u>
<b>Other Financing Sources (Uses):</b>				
Bonds Issued	1,510,000	1,510,000	1,510,000	0
Premium on Bonds Issued	4,628	4,628	4,628	0
Transfers Out	(327,932)	(327,932)	(323,304)	4,628
<i>Total Other Financing Sources (Uses)</i>	<u>1,186,696</u>	<u>1,186,696</u>	<u>1,191,324</u>	<u>4,628</u>
<i>Net Change in Fund Balance</i>	0	0	350,369	350,369
<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>\$0</u>	<u>\$0</u>	<u>\$350,369</u>	<u>\$350,369</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Interest	\$6,390	\$6,390	\$12,514	\$6,124
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	402,642	402,642	231,500	171,142
<i>Net Change in Fund Balance</i>	(396,252)	(396,252)	(218,986)	177,266
<i>Fund Balance Beginning of Year</i>	311,053	311,053	311,053	0
Prior Year Encumbrances Appropriated	102,518	102,518	102,518	0
<i>Fund Balance End of Year</i>	<u>\$17,319</u>	<u>\$17,319</u>	<u>\$194,585</u>	<u>\$177,266</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures	\$73,178	\$73,178	\$66,781	(\$6,397)
Interest	500	500	1,724	1,224
<i>Total Revenues</i>	<u>73,678</u>	<u>73,678</u>	<u>68,505</u>	<u>(5,173)</u>
<b>Expenditures:</b>				
Current:				
Capital Outlay				
Contractual Services	8,201	8,201	6,550	1,651
Capital Outlay	85,762	82,762	44,742	38,020
<i>Total Expenditures</i>	<u>93,963</u>	<u>90,963</u>	<u>51,292</u>	<u>39,671</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(20,285)	(17,285)	17,213	34,498
<b>Other Financing Uses:</b>				
Transfers Out	0	(3,000)	0	3,000
<i>Net Change in Fund Balance</i>	(20,285)	(20,285)	17,213	37,498
<i>Fund Balance Beginning of Year</i>	150,173	150,173	150,173	0
Prior Year Encumbrances Appropriated	1,213	1,213	1,213	0
<i>Fund Balance End of Year</i>	<u>\$131,101</u>	<u>\$131,101</u>	<u>\$168,599</u>	<u>\$37,498</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$1,710,000	\$1,790,000	\$1,695,004	(\$94,996)
<b>Expenses:</b>				
Wages and Benefits	585,387	602,809	612,834	(10,025)
Contractual Services	11,252	11,752	11,606	146
Materials and Supplies	815,451	946,538	935,954	10,584
Capital Outlay	12,041	12,041	12,018	23
Other	2,100	7,678	7,394	284
<b>Debt Service:</b>				
Principal Retirement	14,757	14,757	14,757	0
Interest and Fiscal Charges	10,311	10,311	10,311	0
<i>Total Expenses</i>	<u>1,451,299</u>	<u>1,605,886</u>	<u>1,604,874</u>	<u>1,012</u>
<i>Excess of Revenues Over Expenses</i>	258,701	184,114	90,130	(93,984)
Advances In	59,000	82,500	175,957	93,457
Advances Out	(310,128)	(310,128)	(310,128)	0
<i>Excess of Revenues and Advances Over (Under) Expenses</i>	7,573	(43,514)	(44,041)	(527)
<i>Fund Equity Beginning of Year</i>	527	527	527	0
Prior Year Encumbrances Appropriated	43,514	43,514	43,514	0
<i>Fund Equity End of Year</i>	<u>\$51,614</u>	<u>\$527</u>	<u>\$0</u>	<u>(\$527)</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for Services	\$3,911,900	\$3,911,900	\$3,724,108	(\$187,792)
Miscellaneous	10,000	10,000	7,730	(2,270)
<i>Total Revenues</i>	<u>3,921,900</u>	<u>3,921,900</u>	<u>3,731,838</u>	<u>(190,062)</u>
<b>Expenses:</b>				
Wages and Benefits	20,646	20,646	20,510	136
Claims	3,819,956	4,169,956	4,089,517	80,439
Other	2,000	2,000	157	1,843
<i>Total Expenses</i>	<u>3,842,602</u>	<u>4,192,602</u>	<u>4,110,184</u>	<u>82,418</u>
Net Change in Fund Balance	79,298	(270,702)	(378,346)	(107,644)
<i>Fund Equity Beginning of Year</i>	776,533	776,533	776,533	0
Prior Year Encumbrances Appropriated	<u>39,956</u>	<u>39,956</u>	<u>39,956</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$895,787</u></u>	<u><u>\$545,787</u></u>	<u><u>\$438,143</u></u>	<u><u>(\$107,644)</u></u>





## Statistical Section

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

<b><u>Contents</u></b>	<b><u>Page(s)</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>S2-S9</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax, and the municipal income tax.	<b>S10-S19</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>S20-S27</b>
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>S28-S30</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	<b>S31-S37</b>

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

## City of Lorain, Ohio

### Net Assets by Components

Last Four Years

*(accrual basis of accounting)*

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

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

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

(continued)

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

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

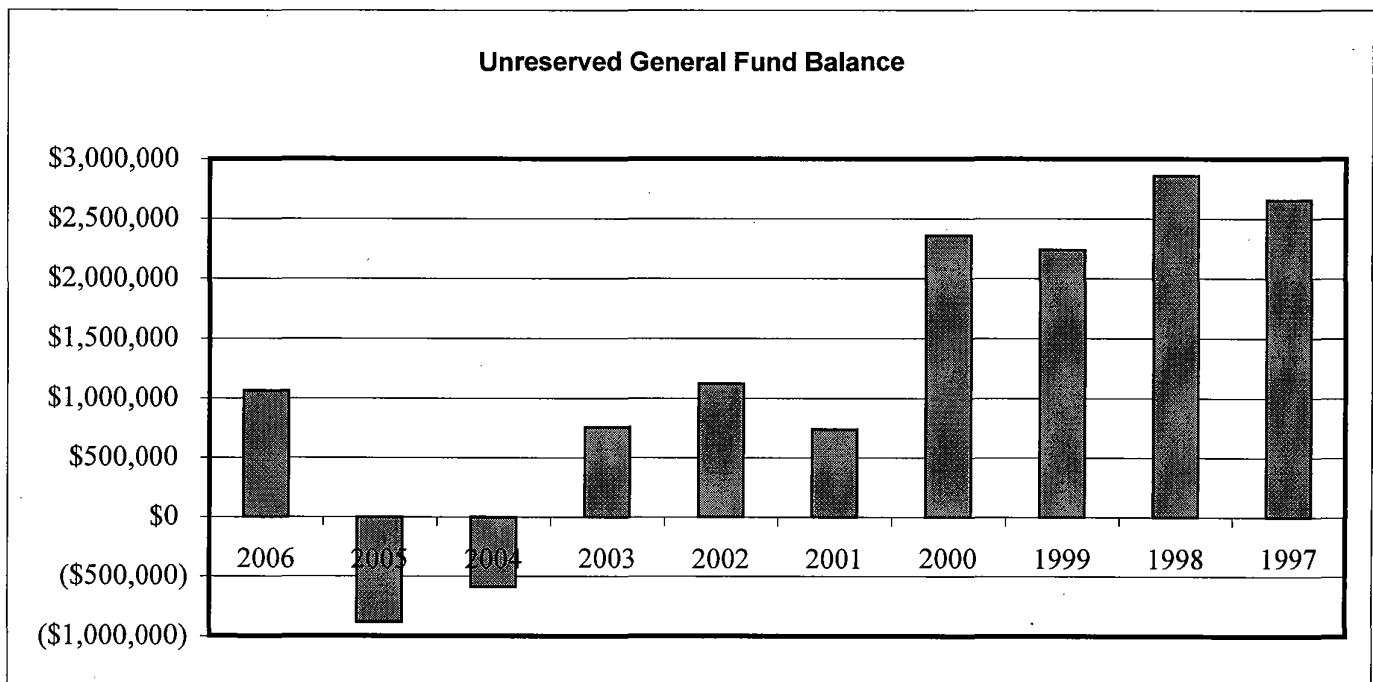
(continued)

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

	2006	2005	2004	2003
<b>Business-Type Activities:</b>				
Investment Earnings	104,026	56,689	9,621	88,836
Miscellaneous	56,615	45,502	61,739	58,743
<i>Total Business-Type Activities</i>	<u>160,641</u>	<u>102,191</u>	<u>71,360</u>	<u>147,579</u>
<i>Total Primary Government</i>	<u>30,793,520</u>	<u>30,035,876</u>	<u>28,145,877</u>	<u>27,147,720</u>
<b>Change in Net Assets</b>				
Governmental Activities	(15,222,608)	(15,780,450)	(8,572,020)	(10,319,453)
Business-Type Activities	1,536,763	2,396,220	904,689	(1,328,857)
<i>Total Primary Government Change in Net Assets</i>	<u><u>(\$13,685,845)</u></u>	<u><u>(\$13,384,230)</u></u>	<u><u>(\$7,667,331)</u></u>	<u><u>(\$11,648,310)</u></u>

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

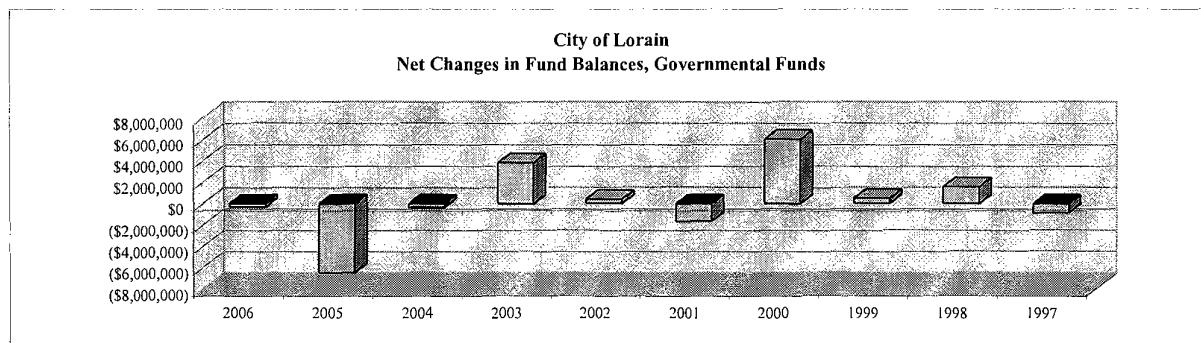
	2006	2005	2004	2003	2002
<b>General Fund</b>					
Reserved	\$168,006	\$659,816	\$80,690	\$102,553	\$187,373
Designated for Capital Acquisitions	0	600,000	0	0	0
Unreserved	1,061,018	(884,514)	(591,250)	(512,337)	109,712
<i>Total General Fund</i>	<u>1,229,024</u>	<u>375,302</u>	<u>(510,560)</u>	<u>(409,784)</u>	<u>297,085</u>
<b>All Other Governmental Funds</b>					
Reserved	17,895,624	21,566,305	21,184,019	18,108,163	15,316,367
Undesignated, Reported in:					
Special Revenue funds	7,034,810	4,454,830	5,247,036	4,311,495	4,011,279
Debt Service funds	188,401	(4,879,317)	213,668	124,402	35,518
Capital Projects funds	(2,337,652)	2,802,085	4,631,159	8,948,048	7,569,861
<i>Total All Other Governmental Funds</i>	<u>22,781,183</u>	<u>23,943,903</u>	<u>31,275,882</u>	<u>31,492,108</u>	<u>26,933,025</u>
<i>Total Governmental Funds</i>	<u>\$24,010,207</u>	<u>\$24,319,205</u>	<u>\$30,765,322</u>	<u>\$31,082,324</u>	<u>\$27,230,110</u>



<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$133,037	\$174,508	\$259,561	\$210,875	\$362,136
0	0	0	0	0
<u>(270,151)</u>	<u>1,961,481</u>	<u>1,842,308</u>	<u>2,411,925</u>	<u>2,233,727</u>
<u>(137,114)</u>	<u>2,135,989</u>	<u>2,101,869</u>	<u>2,622,800</u>	<u>2,595,863</u>
15,951,299	11,871,733	10,826,644	8,888,251	11,221,142
6,045,194	5,361,983	4,172,718	5,196,871	3,161,438
232,339	726,354	187,972	664,995	911,833
<u>4,724,622</u>	<u>8,360,691</u>	<u>5,115,114</u>	<u>4,552,017</u>	<u>2,467,049</u>
<u>26,953,454</u>	<u>26,320,761</u>	<u>20,302,448</u>	<u>19,302,134</u>	<u>17,761,462</u>
<u>\$26,816,340</u>	<u>\$28,456,750</u>	<u>\$22,404,317</u>	<u>\$21,924,934</u>	<u>\$20,357,325</u>

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

	2006	2005	2004	2003	2002
<b>Revenues</b>					
Property and Other Taxes	\$4,489,307	\$4,440,436	\$4,283,640	\$3,908,597	\$3,394,317
Municipal Income Taxes	19,181,559	19,546,306	17,680,283	16,553,650	16,510,556
Charges for Services	1,623,511	1,419,251	1,343,239	1,247,753	1,119,774
Licenses and Permits <i>(includes fines 2002 and prior)</i>	1,431,398	1,098,063	1,167,853	785,860	3,123,925
Fines and Forfeitures	1,627,837	1,438,755	1,619,879	1,658,464	0
Intergovernmental	15,915,009	13,260,054	16,814,124	12,104,895	12,079,479
Special Assessments	82,614	73,280	122,704	174,799	324,659
Interest	690,650	274,833	217,102	162,478	201,577
Miscellaneous	790,843	359,769	338,478	814,192	956,052
<b>Total Revenues</b>	<b>45,832,728</b>	<b>41,910,747</b>	<b>43,587,302</b>	<b>37,410,688</b>	<b>37,710,339</b>
<b>Expenditures</b>					
Current:					
General Government	7,783,356	10,178,686	7,472,394	6,772,792	6,812,397
Security of Persons and Property	19,158,303	18,735,767	18,334,999	16,750,969	17,422,517
Transportation	2,770,818	3,002,534	2,261,567	2,578,166	1,902,093
Public Health	2,007,742	2,058,113	1,872,129	1,711,340	1,590,199
Community Environment	792,667	869,283	715,893	653,685	612,126
Economic Development	7,386,562	3,606,065	2,606,100	24,835	6,887,067
Leisure Time Activities	1,002,442	1,037,882	1,009,957	1,090,889	934,524
Intergovernmental	0	0	0	18,420	0
Capital Outlay	5,037,231	4,918,114	8,707,726	5,376,919	9,240,850
Debt Service:					
Principal Retirement	2,297,103	11,027,373	5,672,618	8,105,592	3,037,428
Interest and Fiscal Charges	2,010,962	1,950,882	1,753,457	1,811,630	1,531,863
Bond Issuance Costs	82,219	0	0	475,530	0
<b>Total Expenditures</b>	<b>50,329,405</b>	<b>57,384,699</b>	<b>50,406,840</b>	<b>45,370,767</b>	<b>49,971,064</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,496,677)</b>	<b>(15,473,952)</b>	<b>(6,819,538)</b>	<b>(7,960,079)</b>	<b>(12,260,725)</b>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	0	1,849,994	0	0	182,910
Sale of Fixed Assets	20,128	0	0	0	0
Payment to Police and Fire Pension	0	0	0	0	0
Bonds Issued	1,510,000	2,297,663	0	6,245,000	8,905,000
Notes Issued	0	4,750,000	4,150,000	4,945,000	1,320,000
Loans Received	2,652,923	130,178	2,352,536	603,346	2,247,999
Premium on Debt Issuance	4,628	0	0	18,947	18,586
Transfers In	1,749,236	1,995,288	1,853,219	2,719,525	2,557,146
Transfers Out	(1,749,236)	(1,995,288)	(1,853,219)	(2,719,525)	(2,557,146)
<b>Total Other Financing Sources (Uses)</b>	<b>4,187,679</b>	<b>9,027,835</b>	<b>6,502,536</b>	<b>11,812,293</b>	<b>12,674,495</b>
<b>Net Change in Fund Balances</b>	<b>(\$308,998)</b>	<b>(\$6,446,117)</b>	<b>(\$317,002)</b>	<b>\$3,852,214</b>	<b>\$413,770</b>
Debt Service as a Percentage of Noncapital Expenditures	10.2%	32.9%	21.7%	33.0%	12.6%





2001	2000	1999	1998	1997
\$3,492,363	\$3,955,169	\$3,593,074	\$3,454,984	\$3,177,523
16,784,765	17,811,594	16,365,072	16,856,715	17,073,554
956,437	938,448	439,434	430,802	351,342
2,378,314	2,296,516	2,061,198	2,725,477	2,056,536
0	0	0	0	0
19,313,513	13,664,775	14,795,431	12,769,960	11,388,615
158,630	179,267	215,025	322,014	429,841
395,523	490,884	321,895	426,823	444,923
771,020	174,536	891,588	515,976	513,513
<u>44,250,565</u>	<u>39,511,189</u>	<u>38,682,717</u>	<u>37,502,751</u>	<u>35,435,847</u>
6,675,722	7,007,186	6,569,957	6,546,059	6,947,463
18,345,606	17,944,155	17,237,827	15,760,123	15,322,993
2,552,311	3,647,614	2,665,990	2,557,555	2,826,661
1,723,442	1,780,974	1,723,641	1,594,986	1,832,377
719,872	685,051	710,623	704,649	770,878
5,171,564	4,628,864	3,356,598	5,021,472	3,445,537
1,562,013	1,483,343	1,493,082	1,407,498	1,567,121
0	0	0	0	0
6,323,085	1,677,727	2,938,879	2,434,120	2,849,449
3,172,538	2,842,366	2,121,041	5,179,490	1,492,374
1,320,476	1,393,106	936,514	1,113,092	1,038,540
0	0	90,519	0	0
<u>47,566,629</u>	<u>43,090,386</u>	<u>39,844,671</u>	<u>42,319,044</u>	<u>38,093,393</u>
<u>(3,316,064)</u>	<u>(3,579,197)</u>	<u>(1,161,954)</u>	<u>(4,816,293)</u>	<u>(2,657,546)</u>
125,096	765,827	0	7,637.0	0
558	1,100	1,183	0	0
0	0	(1,925,317)	0	0
0	4,814,703	2,045,297	3,680,000.0	0
1,550,000	1,550,000	1,550,000	2,696,265.0	1,842,525.0
0	2,500,000	0	0	0
0	0	0	0	0
2,270,090	2,641,825	1,955,445	2,064,033.0	2,887,846.0
<u>(2,270,090)</u>	<u>(2,641,825)</u>	<u>(1,985,271)</u>	<u>(2,064,033.0)</u>	<u>(2,904,576.0)</u>
<u>1,675,654</u>	<u>9,631,630</u>	<u>1,641,337</u>	<u>6,383,902</u>	<u>1,825,795</u>
<u>(\$1,640,410)</u>	<u>\$6,052,433</u>	<u>\$479,383</u>	<u>\$1,567,609</u>	<u>(\$831,751)</u>
12.2%	11.4%	9.0%	18.7%	7.7%

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

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated True Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU			Assessed Value
2006	\$738,092,310	\$169,800,110	\$2,593,978,343	\$70,128,370	\$79,691,330
2005	650,032,220	162,381,030	2,321,180,714	74,269,390	84,397,034
2004	638,438,820	166,955,950	2,301,127,914	77,299,320	87,840,136
2003	627,918,840	162,388,030	2,258,019,629	79,467,680	90,304,182
2002	567,733,170	154,998,600	2,064,947,914	83,021,680	94,342,818
2001	557,481,320	156,616,820	2,040,280,400	41,909,630	47,624,580
2000	553,650,080	162,513,030	2,046,180,314	64,043,280	72,776,455
1999	454,088,000	153,275,320	1,735,323,771	67,935,340	77,199,250
1998	447,544,430	158,036,250	1,730,230,514	69,159,330	78,590,148
1997	445,236,550	148,793,820	1,697,229,629	71,039,610	80,726,830

Source: Lorain County Auditor

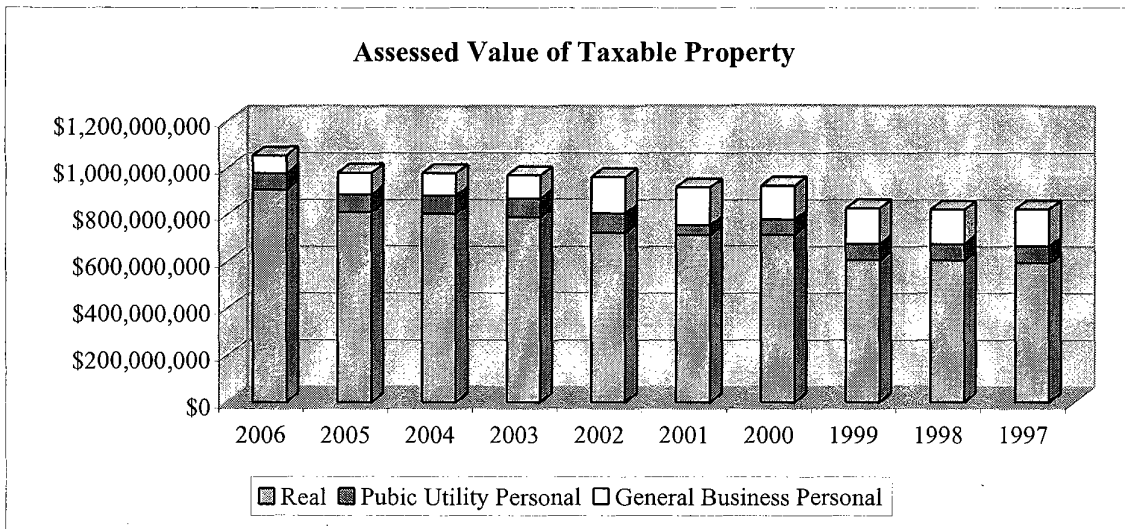
Property is assessed every year. The assessed value of real property (including public utility real property) is 35 percent of estimated true value. The assessed value of public utility personal personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property is being phased out beginning in 2006. For collection year 2006 both types of general business tangible personal property were assessed at 18.75 percent. The percentage will be 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

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

Source: Lorain County, Ohio; County Auditor

**Tangible Personal Property**

<b>General Business</b>		<b>Total</b>		<b>Ratio</b>	<b>Tax Rate Per per \$1,000 of Assessed Value</b>
<b>Assessed Value</b>	<b>Estimated True Value</b>	<b>Assessed Value</b>	<b>Estimated True Value</b>		
\$75,436,138	\$402,326,069	\$1,053,456,928	\$3,075,995,742	34.25%	\$4.96
94,023,132	408,796,226	980,705,772	2,814,373,974	34.85	4.96
96,508,986	419,604,287	979,203,076	2,808,572,338	34.86	4.96
99,372,980	432,056,435	969,147,530	2,780,380,245	34.86	4.96
155,635,990	676,678,217	961,389,440	2,835,968,950	33.90	4.96
161,585,020	702,543,565	917,592,790	2,790,448,545	32.88	4.96
145,004,768	630,455,513	925,211,158	2,749,412,282	33.65	4.96
152,994,550	665,193,696	828,293,210	2,477,716,717	33.43	4.96
147,824,554	642,715,452	822,564,564	2,451,536,114	33.55	4.96
158,608,994	689,604,322	823,678,974	2,467,560,780	33.38	4.96



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

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

*(continued)*

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

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

Source: County Auditor

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

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

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

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

<u>Year</u>	<u>Current Tax Levy (1)</u>	<u>Current Tax Collections (1)</u>	<u>Percent Collected</u>	<u>Delinquent Tax Collections (3)</u>
2006	\$4,022,380	\$3,814,286	94.8%	\$125,930
2005	3,996,835	3,805,202	95.2	140,840
2004	3,956,482	3,773,999	95.4	124,093
2003	3,665,134	3,483,359	95.0	132,140
2002	3,458,430	3,232,113	93.5	102,721
2001	3,569,077	3,345,912	93.7	116,101
2000	3,066,578	2,922,999	95.3	115,157
1999	3,183,610	2,910,261	91.4	107,157
1998	3,057,957	2,945,399	96.3	102,854
1997	2,731,861	2,644,441	96.8	80,588

Source: Lorain County Auditor

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

<b>Total Tax Collections</b>	<b>Percent of Total Collections To Current Tax Levy</b>	<b>Accumulated Outstanding Delinquent Taxes (2)</b>	<b>Percent of Delinquent Taxes To Current Tax Levy</b>
\$3,940,217	98.0%	\$372,022	9.2%
3,946,042	98.7%	333,010	8.3
3,898,092	98.5%	302,980	7.7
3,615,499	98.6	300,673	8.2
3,334,835	96.4	247,367	7.2
3,462,013	97.0	251,934	7.1
3,038,157	99.1	246,327	8.0
3,017,418	94.8	352,399	11.1
3,048,253	99.7	185,575	6.1
2,725,029	99.7	149,383	5.5

**City of Lorain, Ohio**  
Principal Real Property Taxpayers  
2006 and 1997

Taxpayer	2006		
	Real Property Assessed Valuation	Rank	Percentage of Total Real Property Assessed Valuation
Firstenergy Generation	\$38,872,120	1	4.28%
Ohio Edison	18,376,440	2	2.02
Ford Motor Company	10,001,960	3	1.10
American Transmission	6,755,530	4	0.74
CenturyTel of Ohio Inc	6,643,450	5	0.73
Industrias CH, S.A. de C.V. (REP) *	6,125,440	6	0.67
Diocese of Cleveland	3,463,160	7	0.38
Lexington Trank Lorain	3,412,500	8	0.38
Oster Construction Inc	2,868,810	9	0.32
Columbia Gas of Ohio	2,557,420	10	0.28
	<u>\$99,076,830</u>		<u>10.90%</u>
Total City Valuation	<u>\$907,892,420</u>		

	1997		
	Real Property Assessed Valuation	Rank	Percentage of Total Real Property Assessed Valuation
Ohio Edison	\$49,884,560	1	8.40%
Ford Motor Company	17,473,770	2	2.94
USS/Kobe Steel Company	16,482,490	3	2.77
Century Telephone Company	14,318,850	4	2.41
Columbia Gas of Ohio, Inc.	8,542,110	5	1.44
KeyBank - (Society National)	3,647,670	6	0.61
Lake Terminal Railroad	2,421,600	7	0.41
RELTEC - Lorain Products Division	2,174,550	8	0.37
Lakeland Medical	1,529,050	9	0.26
Town Development	1,139,340	10	0.19
	<u>\$117,613,990</u>		<u>19.80%</u>
Total City Valuation	<u>\$594,030,370</u>		

\*USS/Kobe in 1997



**City of Lorain, Ohio**  
Principal Personal Property Taxpayers  
2006 and 1997

Taxpayer	2006		
	Personal Property Assessed Valuation	Rank	Percentage of Total Personal Property Assessed Valuation
Industrias CH, S.A. de C.V. (REP) *	\$25,175,700	1	33.37%
United States Steel *	16,585,470	2	21.99
Emerson Network Power Energy Sys**	2,667,260	3	3.54
Parnassos L.P.	1,155,810	4	1.53
Joe Firment Chevrolet Inc.	1,142,390	5	1.51
P C Campana Inc.	1,126,830	6	1.49
Praxair Inc.	1,061,660	7	1.41
Joyce Buick Pontiac Inc.	989,520	8	1.31
National Gypsum Company	975,530	9	1.29
Camaco	872,890	10	1.16
	<u>\$51,753,060</u>		<u>68.60%</u>
Total City Valuation	<u>\$75,436,138</u>		

Taxpayer	1997		
	Personal Property Assessed Valuation	Rank	Percentage of Total Personal Property Assessed Valuation
USS/Kobe Steel Company	\$73,354,150	1	46.25%
Ford Motor Company (Lorain)	32,256,490	2	20.34
Reltec - Lorain Products Division	8,783,590	3	5.54
LTV Steel	4,727,230	4	2.98
P C Campana Inc.	1,952,840	5	1.23
National Gypsum Company	1,325,160	6	0.84
Stein, Inc.	1,138,890	7	0.72
K Mart Corporation	958,530	8	0.60
Builders Square	928,950	9	0.59
Johnson metal Inc.	927,760	10	0.58
	<u>\$126,353,590</u>		<u>79.67%</u>
Total City Valuation	<u>\$158,608,994</u>		

\* USS/Kobe in 1996

\*\* RELTEC-Lorain Products in 1996

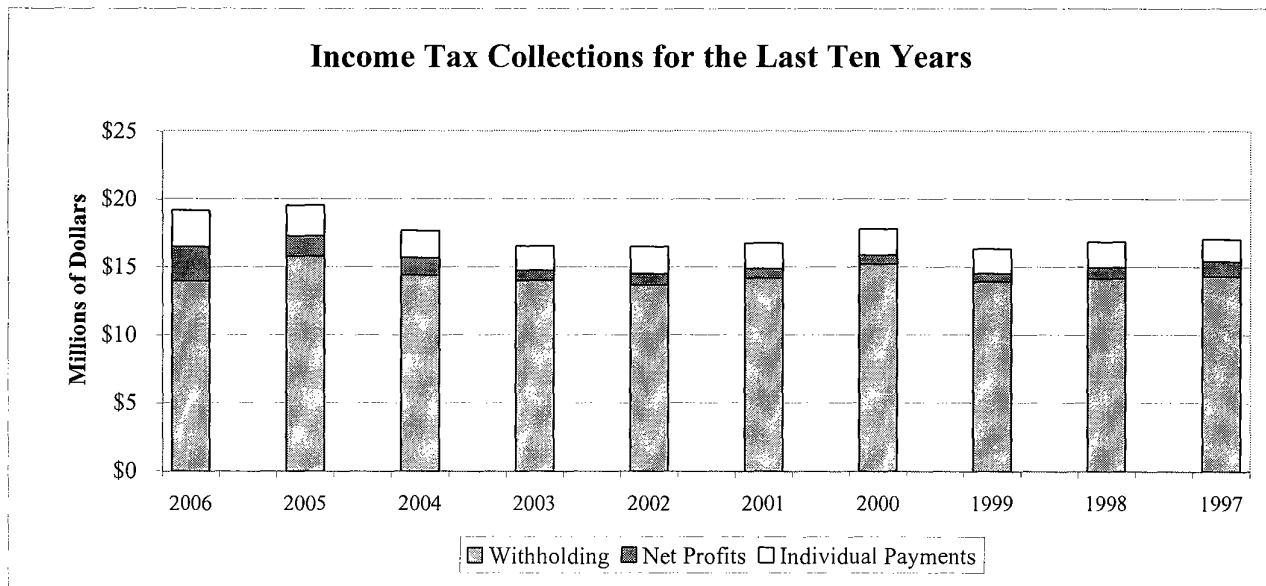
**City of Lorain, Ohio**  
**Income Tax Revenue Base and Collections**  
**Last Ten Years**

*(Modified Accrual Basis of Accounting)*

Tax Year	Tax Rate (1)	Total Tax Collected	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits	Taxes From Individual Payments	Percentage of Taxes from Individual Payments
2006	2.00%	\$19,181,559	\$13,985,760	72.91%	\$2,496,101	13.01%	\$2,699,698	14.07%
2005	2.00	19,546,306	15,807,433	80.87	1,492,483	7.64	2,246,390	11.49
2004	1.75	17,680,283	14,416,263	81.54	1,268,333	7.17	1,995,688	11.29
2003	1.75	16,553,650	14,024,630	84.72	723,263	4.37	1,805,758	10.91
2002	1.75	16,510,556	13,678,055	82.84	826,394	5.01	2,006,108	12.15
2001	1.75	16,784,765	14,193,981	84.56	684,904	4.08	1,905,880	11.35
2000	1.75	17,811,594	15,254,257	85.64	633,626	3.56	1,923,711	10.80
1999	1.75	16,365,072	13,936,742	85.16	598,620	3.66	1,829,710	11.18
1998	1.75	16,856,715	14,179,416	84.12	804,292	4.77	1,873,007	11.11
1997	1.75	17,073,554	14,327,701	83.92	1,102,582	6.46	1,643,271	9.62

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

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



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

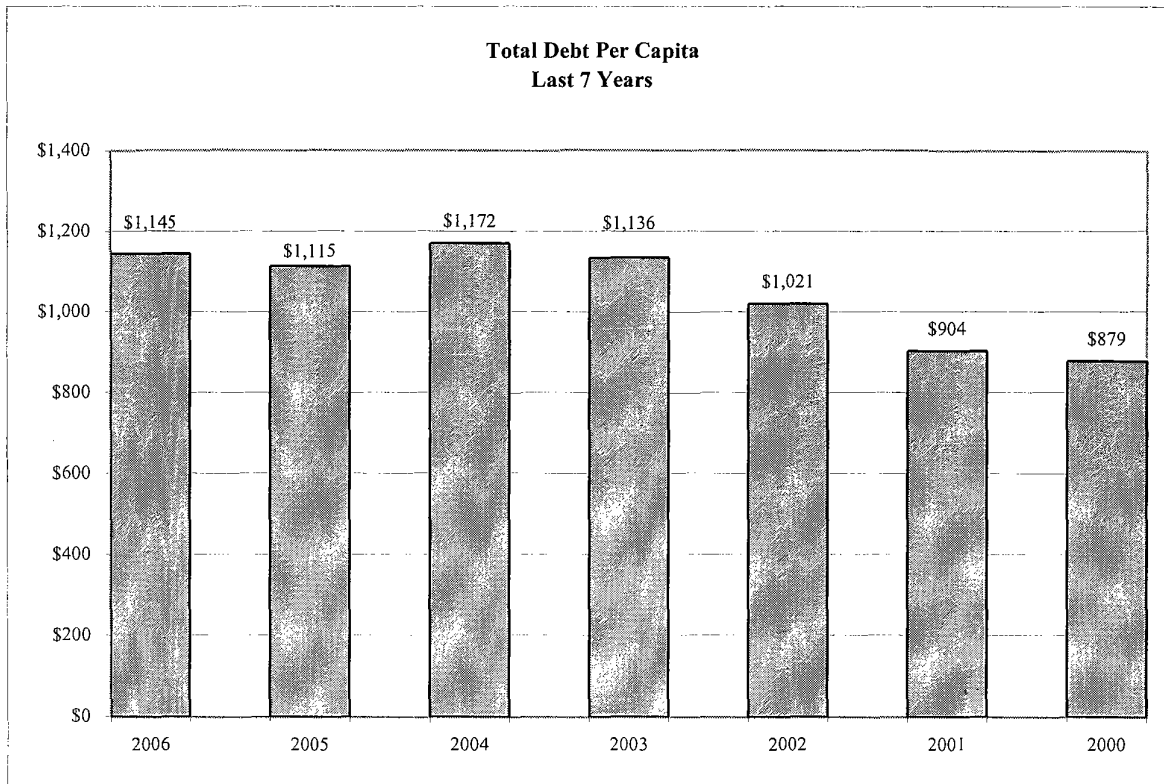
Year	Governmental Activities						ODOD	ODOT
	General Obligation Bonds	Special Assessment Bonds	OPWC Loans	Capital Leases	Bond Anticipation Notes	HUD Loans	Urban Redevlp Loans	State Infrastr Loans
2006	\$26,222,206	\$664,719	\$2,159,087	\$1,793,667	\$0	\$5,900,000	\$1,240,041	\$953,999
2005	25,998,851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

(1) Information prior to 2000 not available

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

**Business-Type Activities**

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



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

Year	Population (1)		Estimated True Value of Taxable Property (2)	Gross Bonded Debt (3)	Ratio of Bonded Debt to Estimated True Value of Taxable Property	Bonded Debt Per Capita
2006	67,820	c	\$3,075,995,742	\$26,222,206	0.85 %	\$386.64
2005	68,652	b	2,814,373,974	25,998,851	0.92	378.70
2004	68,652	b	2,808,572,338	24,752,871	0.88	360.56
2003	68,652	b	2,780,380,245	25,986,116	0.93	378.52
2002	68,652	b	2,835,968,950	21,419,262	0.76	312.00
2001	68,652	b	2,790,448,545	13,518,855	0.48	196.92
2000	68,652	a	2,749,412,282	14,458,448	0.53	210.60
1999	69,800	a	2,477,746,717	10,363,041	0.42	148.47
1998	69,800	a	2,451,536,114	9,202,634	0.38	131.84
1997	69,800	a	2,467,560,780	6,355,198	0.26	91.05

Sources:

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

(a) 1990 Federal Census

(b) 2000 Federal Census

(c) 2006 estimate

(2) County Auditor

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

**City of Lorain, Ohio**  
 Computation of Direct and Overlapping Governmental Activities Debt  
 December 31, 2006

Jurisdiction	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City
<b>Direct - City of</b>			
General Obligation Bonds	\$26,222,206	100.00 %	\$26,222,206
Special Assessment Bonds	664,719	100.00	664,719
OPWC Loans	2,159,087	100.00	2,159,087
Capital Leases	1,793,667	100.00	1,793,667
HUD Loans	5,900,000	100.00	5,900,000
ODOD Urban Redevelopment Loans	1,240,041	100.00	1,240,041
ODOT State Infrastructure Loans	953,999	100.00	953,999
<i>Total Direct Debt</i>	<u>38,933,719</u>		<u>38,933,719</u>
<b>Overlapping</b>			
Lorain City School District			
General Obligation Bonds	38,467,182	100.00%	38,467,182
Amherst Exempted School District			
General Obligation Bonds	24,585,000	27.28%	6,706,788
Vermillion City School District			
General Obligation Bonds	1,835,000		
Capital Leases	69,960	16.17%	308,032
Clearview City School District			
General Obligation Bonds	5,185,000		
Capital Leases	76,142	35.32%	1,858,235
Firelands Local School District			
General Obligation Bonds	74,000		
Capital Leases	35,745	2.20%	2,415
Elyria City School District			
Capital Leases	24,776	0.23%	57
County			
General Obligation Bonds	29,840,000	18.45%	5,505,480
<i>Total Overlapping Debt</i>	<u>100,192,805</u>		<u>52,848,189</u>
<b>Total</b>	<u><u>\$139,126,524</u></u>		<u><u>\$91,781,908</u></u>

Source: County Auditor

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

**City of Lorain, Ohio**  
**Legal Debt Margin**  
**Last Ten Years**

	2006	2005	2004	2003	2002
<b>General Bonded Debt Outstanding:</b>					
General Obligation Bonds	\$26,201,525	\$25,981,800	\$24,734,873	\$25,967,169	\$21,419,262
Special Assessment Bonds	664,719	762,423	860,127	1,012,831	565,738
Hud Section 108 Loans	5,900,000	6,345,000	6,785,000	4,955,000	5,325,000
Enterprise Fund General Obligation Bonds	1,363,756	1,510,777	1,550,000	1,885,000	2,215,000
Enterprise Fund Revenue Bonds	9,383,436	10,398,234	11,363,032	12,282,802	13,152,600
Ohio Water Development Authority Loans	28,225,785	27,730,126	28,524,772	25,654,980	23,846,979
Bond Anticipation Notes	0	0	4,150,000	3,625,000	4,809,000
OPWC Loans	2,159,087	1,873,525	1,904,310	1,855,801	1,350,995
Real Estate Acquisition Loan	0	0	0	17,787	63,505
ODOD Urban Redevelopment Loans	1,240,041	0	0	0	0
ODOT State Infrastructure Bank Loans	953,999	0	0	0	0
<b>Total Gross Indebtedness</b>	<u>76,092,348</u>	<u>74,601,885</u>	<u>79,872,114</u>	<u>77,256,370</u>	<u>72,748,079</u>
<b>Less:</b>					
Special Assessment Bonds	(664,719)	(762,423)	(860,127)	(1,012,831)	(565,738)
Enterprise Fund General Obligation Bonds	(1,363,756)	(1,510,777)	(1,550,000)	(1,885,000)	(2,215,000)
Enterprise Fund Revenue Bonds	(9,147,462)	(10,106,765)	(11,465,000)	(12,282,802)	(13,152,600)
Ohio Water Development Authority Loans	(28,225,785)	(27,730,126)	(28,524,772)	(25,654,980)	(23,846,979)
<b>Total Net Debt Applicable to Debt Limit</b>	<u>36,690,626</u>	<u>34,491,794</u>	<u>37,472,215</u>	<u>36,420,757</u>	<u>32,967,762</u>
<b>Overall Legal Debt Limit</b>					
10 1/2% of Assessed Valuation	<u>110,612,977</u>	<u>102,974,106</u>	<u>102,816,323</u>	<u>101,760,491</u>	<u>100,945,891</u>
<b>Legal Debt Margin Within 10 1/2% Limitations</b>	<u>\$73,922,351</u>	<u>\$68,482,312</u>	<u>\$65,344,108</u>	<u>\$65,339,734</u>	<u>\$67,978,129</u>
<b>Legal Debt Margin as a Percentage of the Debt Limit</b>	66.83%	66.50%	63.55%	64.21%	67.34%
<b>Unvoted Debt Limitation</b>					
5 1/2% of Assessed Valuation	\$57,940,131	\$53,938,817	\$53,856,169	\$53,303,114	\$52,876,419
<b>Net Unvoted Indebtedness Authorized by Council</b>	75,903,947	74,310,416	79,760,414	76,890,964	72,628,310
<b>Less:</b>					
Special Assessment Bonds	(664,719)	(762,423)	(860,127)	(1,012,831)	(565,738)
Enterprise Fund General Obligation Bonds	(1,363,756)	(1,510,777)	(1,550,000)	(1,885,000)	(2,215,000)
Enterprise Fund Revenue Bonds	(9,147,462)	(10,106,765)	(11,465,000)	(12,282,802)	(13,152,600)
Ohio Water Development Authority Loans	(28,225,785)	(27,730,126)	(28,524,772)	(25,654,980)	(23,846,979)
<b>Net Debt Within 5 1/2% Limitations</b>	<u>36,502,225</u>	<u>34,200,325</u>	<u>37,360,515</u>	<u>36,055,351</u>	<u>32,847,993</u>
<b>Unvoted Legal Debt Margin Within 5 1/2% Limitations</b>	<u>\$21,437,906</u>	<u>\$19,738,492</u>	<u>\$16,495,654</u>	<u>\$17,247,763</u>	<u>\$20,028,426</u>
<b>Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation</b>	37.00%	36.59%	30.63%	32.36%	37.88%

Source: City Financial Records



2001	2000	1999	1998	1997
\$13,518,855	\$14,458,448	\$10,363,041	\$9,202,634	\$6,355,198
693,145	820,552	982,959	1,145,366	1,384,803
3,570,000	3,845,000	1,615,000	1,760,000	1,900,000
2,540,000	2,865,000	3,180,000	3,490,000	3,795,000
13,992,398	14,787,196	15,546,966	16,271,764	16,976,562
24,258,376	21,179,116	6,103,356	3,131,091	3,432,328
1,850,000	1,550,000	1,550,000	855,000	3,604,000
1,193,584	60,102	57,172	69,877	82,582
108,792	78,069	102,011	0	0
0	0	0	0	0
0	0	0	0	0
<u>61,725,150</u>	<u>59,643,483</u>	<u>39,500,505</u>	<u>35,925,732</u>	<u>37,530,473</u>

(693,145)	(820,552)	(982,959)	(1,145,366)	(1,384,803)
(2,540,000)	(2,865,000)	(3,180,000)	(3,490,000)	(3,795,000)
(13,992,398)	(14,787,196)	(15,546,966)	(16,271,764)	(16,976,562)
<u>(24,258,376)</u>	<u>(21,179,116)</u>	<u>(6,103,356)</u>	<u>(3,131,091)</u>	<u>(3,432,328)</u>

20,241,231	19,991,619	13,687,224	11,887,511	11,941,780
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<u>96,347,243</u>	<u>97,147,172</u>	<u>86,970,787</u>	<u>86,369,278</u>	<u>86,486,292</u>
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<u>\$76,106,012</u>	<u>\$77,155,553</u>	<u>\$73,283,563</u>	<u>\$74,481,767</u>	<u>\$74,544,512</u>
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78.99%	79.42%	84.26%	86.24%	86.19%
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\$50,467,603	\$50,886,614	\$45,556,127	\$45,241,050	\$45,302,344
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61,526,416	58,994,401	39,461,752	35,460,648	36,862,165
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(693,145)	(820,552)	(982,959)	(1,145,366)	(1,384,803)
(2,540,000)	(2,865,000)	(3,180,000)	(3,490,000)	(3,795,000)
(13,992,398)	(14,787,196)	(15,546,966)	(16,271,764)	(16,976,562)
<u>(24,258,376)</u>	<u>(21,179,116)</u>	<u>(6,103,356)</u>	<u>(3,131,091)</u>	<u>(3,432,328)</u>

<u>20,042,497</u>	<u>19,342,537</u>	<u>13,648,471</u>	<u>11,422,427</u>	<u>11,273,472</u>
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<u>\$30,425,106</u>	<u>\$31,544,077</u>	<u>\$31,907,656</u>	<u>\$33,818,623</u>	<u>\$34,028,872</u>
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60.29%	61.99%	70.04%	74.75%	75.12%
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**City of Lorain, Ohio**  
Pledged Revenue Coverage  
Water Works Mortgage Revenue Bonds  
Last Ten Years

Year	Operating Revenues	Direct Operating Expenses (1)	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
2006	\$8,191,235	\$5,829,936	\$2,361,299	\$465,000	\$331,971	2.96
2005	8,555,713	5,590,805	2,964,908	440,000	353,698	3.74
2004	8,342,495	5,407,940	2,934,555	420,000	365,739	3.73
2003	8,249,924	6,165,744	2,084,180	400,000	393,397	2.63
2002	7,958,375	5,679,672	2,278,703	385,000	411,245	2.86
2001	7,493,865	4,122,439	3,371,426	365,000	428,053	4.25
2000	5,183,848	4,774,381	409,467	350,000	443,608	0.52
1999	5,482,568	5,705,652	(223,084)	335,000	458,168	(0.28)
1998	6,030,207	4,573,306	1,456,901	325,000	471,865	1.83
1997	5,726,504	4,675,543	1,050,961	310,000	484,650	1.32

(1) Direct operating expenses excludes depreciation.

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

Year	Operating Revenues	Direct Operating Expenses (1)	Net Available Revenues	Debt Service		Coverage
				Principal	Interest	
2006	\$10,222,189	\$7,093,067	\$3,129,122	\$560,000	\$190,640	4.17
2005	9,240,060	5,753,128	3,486,932	535,000	218,295	4.63
2004	8,313,069	6,224,953	2,088,116	510,000	244,165	2.77
2003	7,728,255	7,399,650	328,605	480,000	268,180	0.44
2002	7,673,262	6,057,938	1,615,324	465,000	290,547	2.14
2001	7,963,116	6,381,124	1,581,992	440,000	311,675	2.10
2000	8,739,907	6,347,621	2,392,286	420,000	331,245	3.18
1999	8,276,380	5,696,068	2,580,312	400,000	349,495	3.44
1998	7,465,131	5,507,841	1,957,290	390,000	366,582	2.59
1997	6,904,935	5,222,997	1,681,938	375,000	382,557	2.22

(1) Direct operating expenses excludes depreciation.

**City of Lorain, Ohio**  
Principal Employers  
2006 and 1997

	2006
Employer	Employees
Community Health Partners ***	1,853
Lorain City School District	1,206
Industrias CH, S.A. de C.V (REP)*	1,100
City of Lorain	545
Lorain Tubular	518
Emerson Network Power **	292
The Nord Center	243
CAMACO, Inc.	218
Lake Point Health Center****	208
Lorain National Bank	185
	6,368
	6,368
Total Employment Within the City	31,500
	1997
	Employees
USS Kobe Steel Company	2,800
Ford Motor Company-Lorain Assembly	2,400 <sup>(1)</sup>
Lorain Community/St. Joseph Regional Health Center	2,300
RELTEC-Lorain Products Division	1,250
Lorain City School District	1,200
Crown Division/TransPro, Inc.	700
P.C. Campana, Inc.	550
City of Lorain	550
May Department Stores	490
Lorain National Bank	257
	12,497
	12,497
Total Employment Within the City	33,100

\* USS/Kobe in 1997. In October 2003, REP filed for protection under Chapter 11 of the U.S. Bankruptcy Act. On December 11, 2003, a U.S. Bankruptcy judge approved the tentative sale of REP's assets to Perry Strategic Capital, which formed PAV Republic, Inc., to take over and operate the assets of REP. The plant continues to operate, and PAV Republic, Inc. announced in November 2004 plans to take the company public. In July of 2005, REP was purchased by Industrias CH, S.A. de C.V. and its subsidiary, Grupo Simec of Guadalajara, Mexico. REP will become a subsidiary of Grupo Simec and Continue to operate as a standalone business.

\*\* RELTEC-Lorain Products in 1997

\*\*\*Lorain Comm/St. Joseph in 1996

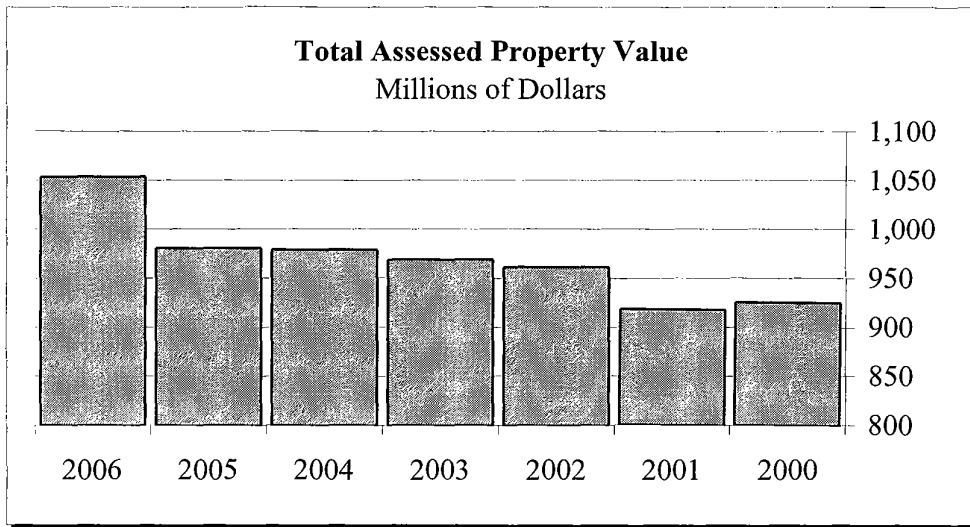
\*\*\*\*Formerly Ohio Extended Care

<sup>(1)</sup> Reflects announced layoff of 1,800 employees

N/A - Information not available

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

Year	Population (2)	Total Personal Income (6)	Personal Income Per Capita	Median Household Income (2)	Median Age (2)
2006	67,820	\$1,108,178,800	\$16,340	\$33,917	34.4
2005	68,652	1,121,773,680	16,340	33,917	34.4
2004	68,652	1,121,773,680	16,340	33,917	34.4
2003	68,652	1,121,773,680	16,340	33,917	34.4
2002	68,652	1,121,773,680	16,340	33,917	34.4
2001	68,652	1,121,773,680	16,340	33,917	34.4
2000	68,652	1,121,773,680	16,340	33,917	34.4



(1) Information prior to 2000 not available

(2) Source: U. S. Census

(a) Years 2000 through 2005 - 2000 Federal Census

(b) Year 2006 US Census Bureau estimate

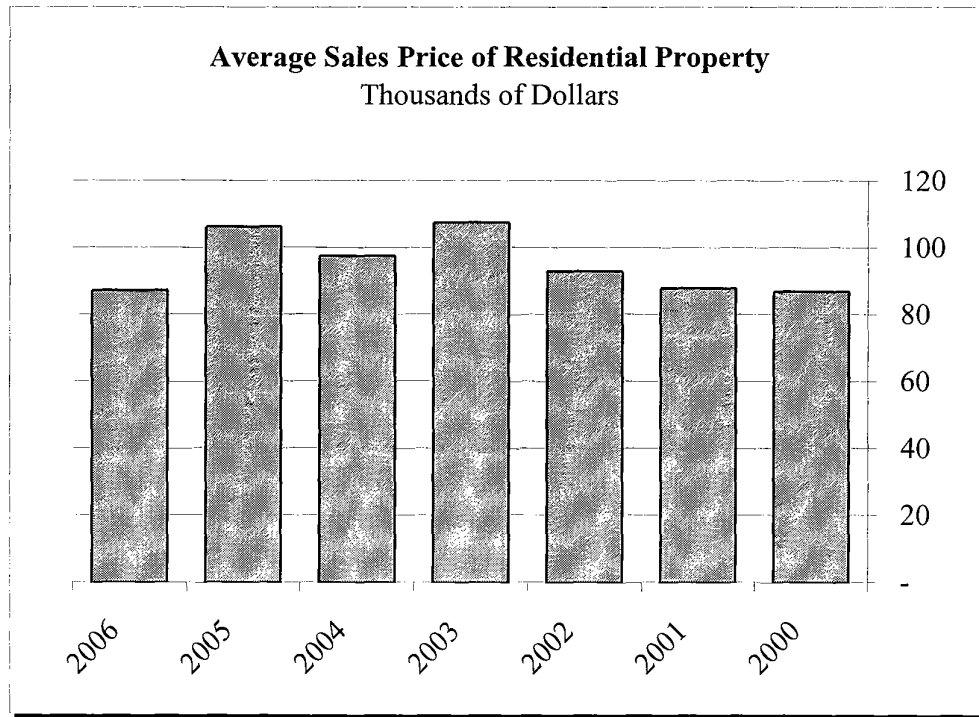
(3) Source: Ohio Department of Education Website: "<http://www.ode.state.oh.us/data/>"

(4) Ohio Department of Job and Family Services

(5) Source: Lorain County Auditor-Chief Appraiser

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

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



**City of Lorain**  
 Full-Time Equivalent City Government Employees by Function/Program  
 Last Eight Years

<u>Function/program</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General Government:								
Auditor	7.00	7.00	7.00	7.00	9.00	9.00	9.00	9.00
Building Inspection	10.00	10.00	8.00	8.00	8.00	9.00	8.00	13.00
Cemetery	3.00	3.00	3.00	3.00	3.00	2.00	3.00	5.00
Civil Service	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Clerk of Courts	15.00	19.00	13.00	14.00	15.00	19.00	15.00	15.00
Council	15.00	14.00	13.00	15.00	15.00	15.00	15.00	15.00
Dog Warden	-	1.00	1.00	1.00	1.00	1.00	2.00	2.00
Electrical	7.00	8.00	6.00	7.00	6.00	6.00	8.00	7.00
Engineering	10.00	10.00	10.00	11.00	10.00	10.00	9.00	9.00
Fire	83.00	85.00	84.00	87.00	86.00	93.00	89.00	97.00
Income Tax/Treasurer	9.00	8.00	8.00	8.00	10.00	8.00	10.00	9.00
Judges	14.00	16.00	13.00	12.00	16.00	13.00	12.00	12.00
Law Department	12.00	13.00	9.00	10.00	11.00	11.00	11.00	18.00
Mayor	2.50	2.50	2.50	2.50	2.50	3.00	3.00	2.00
MIS/Data Processing	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks & Recreation	9.00	6.00	4.00	10.00	6.00	14.00	23.00	22.00
Police	101.00	102.50	94.50	104.50	97.50	104.50	100.50	107.50
Safety/Service Director	6.85	7.30	6.04	7.75	8.75	10.25	11.20	13.70
Street Department	23.00	23.00	19.00	21.00	22.00	26.00	34.00	33.00
Health Department	25.00	23.00	22.00	22.00	21.00	24.00	24.00	23.00
Muni Court Computer	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Legal Research	-	-	1.00	1.00	1.00	-	-	-
Muni Court Security	4.00	-	-	-	-	-	-	-
Muni Court Probation	1.00	-	-	-	-	-	-	-
Community Development	22.00	19.00	19.71	22.00	22.00	22.00	20.00	20.00
Police Special Revenue	-	-	-	-	-	1.50	-	-
Police Levy	26.00	22.50	16.50	21.50	42.50	42.00	42.50	43.50
Water	56.64	59.42	56.20	64.20	71.20	73.20	58.48	63.98
Water Pollution Control	66.71	66.48	69.25	73.25	76.25	76.25	66.52	64.02
Garage	11.00	13.00	10.00	9.00	7.00	9.00	11.30	11.00
Hospitalization	0.30	0.30	0.30	0.30	0.30	0.30	0.50	0.30
Totals:	545	544	500	546	572	606	590	619

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

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

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

<u>Function/program</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>General Government</b>			
Construction Permits Issued (1)	5,763	5,502	5,529
Estimated Value of Construction (1)	\$68,451,638	\$48,208,912	\$92,157,798
Economic Development Projects approved (square feet)(10)	10,820	24,200	63,242
Number of Planning Commission docket items (2)	48	n/a	26
Purchase Orders Issued (3)	3,398	3,824	3,813
<b>Police (4) (a)</b>			
Total Arrests	6,455	2,536	2,345
Offenses (major offenses such as murder and rape)	10	20	27
Offenses (major offenses such as robbery and agg. assault)	283	316	286
Offenses (major offenses such as vehicle theft)	146	161	89
DUI Arrests	123	171	155
Prisoners	0	0	2,612
Motor Vehicle Accidents	1,521	1,620	1,683
Calls for Service	64,344	46,321	45,663
<b>Fire (5)</b>			
Emergency responses	2,446	3,382	3,127
Fire Safety Inspections/Re-Inspections	795	437	763
Fire Protection Systems Inspected	53	32	37
<b>Street Department (6)</b>			
Road Maintenance (man hours)*	14,932	18,364	17,844
Asphalt (hot/cold) used in road maintenance (tons)	1,188	1,801	1,421
Concrete used in road maintenance (yards)	1,530	965	1,721
Number of Trees Removed	91	77	66
Truckloads of leaves picked-up	129	231	223
Cubic Yards of leaf humus delivered/sold	139	262	209
Cubic Yards of wood chips delivered/sold	23	177	152
Tons of snow melting salt purchased	3,892	5,797	3,940
<b>Recreation (7)</b>			
No. of People attending Summer Rec Programs	233	144	n/a
Attendance at Santa land	2,469	3,232	1,962

\* Estimated n/a = not available

(a) Methodology changed

(1) City of Lorain Building Department

(2) City of Lorain Health Department

(3) City of Lorain Auditor's Office

(4) City of Lorain Police Department

(5) City of Lorain Fire Department

(6) City of Lorain Street Department

(7) City of Lorain Recreation Dept.

(8) City of Lorain Utilities Department

(9) City of Lorain Mayor's Office

(10) City of Lorain Community Development Department



2003	2002	2001	2000	1999	1998	1997
6,140	6,006	6,704	4,559	4,389	385	328
\$67,034,093	\$48,218,378	\$39,501,474	\$33,866,860	\$37,684,978	\$255,722,431	\$29,598,274
98,202	205,188	107,455	34,986	8,150	29,869	67,640
9	18	27	28	20	27	23
3,942	4,097	4,314	4,947	4,853	4,982	4,892
2,801	3,139	3,205	3,214	3,415	3,374	3,858
15	16	23	26	23	39	50
261	255	256	253	192	265	397
100	97	149	140	117	147	174
175	250	239	289	325	313	436
4,121	4,754	3,205	3,214	3,415	3,374	3,858
1,805	2,018	2,011	2,095	2,225	2,083	2,157
43,543	45,384	43,234	41,345	42,152	44,787	46,517
3,514	3,300	3,502	1,921	1,899	2,042	2,077
732	321	841	926	812	928	n/a
13	10	33	11	10	14	n/a
19,830	15,882	23,592	24,545	27,608	33,191	35,884
1,061	873	1,160	1,917	1,313	1,046	1,197
1,670	867	1,986	3,482	4,477	2,746	1,999
113	96	93	83	92	104	86
217	230	227	219	230	227	210
52	10	175	n/a	n/a	n/a	n/a
260	221	214	191	212	239	198
8,761	6,253	8,060	7,401	6,261	2,035	3,933
133	121	116	n/a	157	137	n/a
1,183	2,786	2,701	1,927	1,433	1,458	1,614

(continued)

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

<u>Function/program</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Water/Water Pollution Control (8)</b>			
Water/Sewer Bills mailed (9)	295,889	288,314	290,530
<b>Mayor's Office (9)</b>			
Cemetery Internments	153	160	155
Cemetery Spaces/Lots purchased	\$54,300	\$56,750	\$62,725
Internment Fess/Misc. Fees	\$111,682	\$110,300	\$74,370
<b>Community Development (10)</b>			
Number of Loans - Home In-Fill	4	12	7
Number of Loans - Home Rehab	16	5	7
Number of Loans - Business	1	2	5
Number of Loans/Projects - 108	0	1	0
Number of Loans/Projects - CDBG	0	1	0
Number of Loans/Projects - EDA Title IX	1	2	4
Number of Loans/Projects - Rental Rehab	1	2	1
Number of Loans/Projects - UDAG	1	0	0
<b>Health Department (2)</b>			
Help Me Grow Visits (0-3 years of age)	2,257	2,459	2,170
Adult Immunizations	1,783	2,660	1,700
Children Immunizations	2,681	2,616	2,831
Child Health Clinics (0-21 years)	517	581	700
HIV testing	561	591	586
Number of Births	1,250	1,134	1,188
Number of Deaths	903	890	954
Number of Environmental Inspections	2,761	2,805	2,693
City of Lorain's Recycling Activity-in tons (10)	953	1,178	1,218

\* Estimated n/a = not available

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

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

2003	2002	2001	2000	1999	1998	1997
287,669	286,844	285,373	284,675	283,832	282,794	n/a
160	176	192	151	164	162	194
\$51,580	\$47,645	\$48,535	\$39,570	\$42,890	\$44,395	\$41,855
\$76,680	\$81,420	\$85,720	\$63,975	\$71,770	\$66,812	\$79,417
6	4	1	0	0	0	0
14	7	12	23	22	22	5
4	5	5	5	5	2	4
1	6	4	0	0	0	0
2	3	2	2	0	1	3
3	4	8	8	0	6	4
1	1	1	1	1	1	3
2	2	1	1	1	0	0
2,758	2,464	n/a	n/a	n/a	n/a	n/a
2,625	3,100	n/a	n/a	n/a	n/a	n/a
3,014	2,476	n/a	n/a	n/a	n/a	n/a
838	81	n/a	n/a	n/a	n/a	n/a
557	823	n/a	n/a	n/a	n/a	n/a
1,215	1,333	1,507	1,390	1,320	1,197	1,198
943	980	891	886	858	877	814
2,770	2,417	4,278	7,679	7,369	7,609	8,007
1,133	1,092	1,265	1,283	1,206	1,111	670

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

<b>Function/program</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>General Government</b>				
Engineering Vehicles (2)	8	7	6	
Inspection Vehicles (1)	9	7	7	
Community Development Vehicles (4)	7	8	7	
Number of Traffic lights (2)	518	528	528	5
<b>Police (5)</b>				
Stations	4	3	3	
Vehicles	111	101	92	
<b>Fire (6)</b>				
Stations	4	4	4	
Vehicles	28	26	27	
<b>Street Department (7)</b>				
Streets (miles)	285	285	281	2
Vehicles	52	38	44	
<b>Recreation (8)</b>				
Number of Parks	56	57	57	
Number of Pools	3	3	3	
Vehicles	18	22	n/a	n/a
<b>Water/Water Pollution Control (9)</b>				
Sanitary sewers (miles)	277	280	280	2
Water lines (miles)	293	310	310	3
Vehicles	85	86	90	
<b>Mayor's Office (10)</b>				
Vehicles	1	1	1	

**Sources:**

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

n/a: Information not available

2002	2001	2000	1999	1998	1997
6	6	6	6	6	6
6	6	6	6	6	6
7	7	6	6	6	6
528	522	522	522	522	522
2	2	3	3	3	3
112	n/a	n/a	n/a	n/a	n/a
4	4	4	4	4	4
28	27	26	26	26	26
279	265	220	220	216	216
45	43	41	43	40	38
57	57	56	56	56	56
3	3	3	3	3	3
n/a	26	n/a	n/a	28	n/a
271	267	267	267	267	267
299	297	297	297	297	297
90	90	85	85	85	85
1	1	1	1	1	1



**City of Lorain, Ohio**  
**Single Audit Reports**  
**December 31, 2006**





# City of Lorain, Ohio

For The Year Ended December 31, 2006

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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, Ohio (the “City”) as of and for the year ended December 31, 2006, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 22, 2007, wherein we noted the City of Lorain adopted Government Accounting Standards Board Statement No. 47. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

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

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

Members of the City Council  
City of Lorain, Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 06-1 and 06-2.

We noted certain matters that we have reported to management of the City in a separate letter dated June 22, 2007.

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

This report is intended solely for the information and use of management, the finance committee, City Council, 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 22, 2007

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

Members of the City Council  
City of Lorain, Ohio

**Compliance**

We have audited the compliance of the City of Lorain, Ohio (the “City”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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

In our opinion, the City of Lorain complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.



Members of the City Council  
City of Lorain, Ohio

### **Internal Control over Compliance**

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

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

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

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

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

We have audited the 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, 2006, and have issued our report thereon dated June 22, 2007, wherein we noted the City of Lorain adopted *Government Accounting Standards Board Statement No. 47*. Our audit was performed for the purpose of forming our opinions 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 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
June 22, 2007

# City of Lorain, Ohio

## Schedule of Expenditures of Federal Awards

**For The Year Ended December 31, 2006**

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Awarding Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing And Urban Development</b>			
Community Development Block Grant (CDBG)			
Small Cities Cluster:			
Community Development Block Grant	14.218		\$ 2,161,500
Section 108 Program	14.248		<u>274,474</u>
Total CDGB Program			<u>2,435,974</u>
 Economic Development Initiative Special Project, Neighborhood Initiative	 14.251	 B-04-NO-OH-0917	  74,557
 HOME Investment Partnership Program Total U.S. Department of Housing and Urban Development	 14.239		  <u>1,565,920</u>  <u>4,076,451</u>
<b>U.S. Department of Commerce</b>			
Public Works and Economic Development Facilities	11.300		1,284,917
Economic Adjustment Assistance	11.307		<u>2,331,322</u>
Total U.S. Department of Commerce			<u>3,616,239</u>
<b>U.S. Department of Transportation</b>			
Passed-through Ohio Department of Public Safety:			
State and Community Highway Safety Grant	20.600	LEO-2006-47-00-00- 00643	  <u>29,703</u>
Total U.S. Department of Transportation			<u>29,703</u>
<b>U.S. Department of Health and Human Services</b>			
Passed-through Ohio Department of Health:			
Public Health Infrastructure Grant	93.283	47-1-001-2-BI-06	90,419
HIV Prevention Grant	93.940	263-440-5238-6	29,640
Cardiovascular Health Grant	93.991	47-2-002-2-ED-06	<u>76,500</u>
Total U.S. Department of Health and Human Services			<u>196,559</u>

# City of Lorain, Ohio

## Schedule of Expenditures of Federal Awards (Continued)

**For The Year Ended December 31, 2006**

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<u>Federal Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Awarding Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Justice</b>			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants	16.579	2006-F0890-OH-DJ	12,523
Public Safety Partnership and Community Policing Grant (COPS)	16.710	04-SHWX-0088	<u>113,498</u>
Total U.S. Department of Justice			<u>126,021</u>
<b>U.S. Department of Homeland Security</b>			
Assistance to Firefighters Grant	97.044	FEMA-EMW-2004- FG-19131	<u>136,689</u>
Total Federal Awards Expenditures			\$ <u>8,181,662</u>

# City of Lorain, Ohio

## Notes to The Schedule of Expenditures of Federal Awards

### For The Year Ended December 31, 2006

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#### NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lorain, Ohio and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the 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 been reflected in the Schedule of Federal Awards. The terms and balances due as of December 31, 2006 are as follows:

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Length of Term</u>	<u>Balance at December 31, 2006</u>
December 15, 1992	\$ 2,200,000	20 years	\$ 660,000
December 15, 1992	200,000	20 years	60,000
June 14, 2000	2,500,000	19.5 years	1,625,000
August 8, 2002	2,000,000	19 years	1,500,000
July 6, 2004	2,200,000	20 years	2,055,000



# City of Lorain, Ohio

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

December 31, 2006

### 1. Summary of Auditors' Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Was 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)	Was 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	Public Works and Economic Development Facilities, CFDA # 11.300, Economic Adjustment Assistance, CFDA # 11.307
(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

06-1 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, 2006:

General Fund	\$ 558,086
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# City of Lorain, Ohio

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

December 31, 2006

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### 2. Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS (continued)

06-2 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, 2006, the City had expenditures plus encumbrances in excess of appropriations as follows:

<u>Major Funds</u>	<u>Excess</u>
General Fund	
Civil Service	
Wages and Benefits	\$ 51
Mayor	
Wages and Benefits	9
Electrical Department	
Wages and Benefits	275
Safety / Service Director	
Contractual Services	881,279
Data Processing	
Wages and Benefits	108
Police Department	
Wages and Benefits	858,645
Fire Department	
Wages and Benefits	883,215
Building Department	
Wages and Benefits	1,218
Contractual Services	86
Parks Department	
Wages and Benefits	4,824
Materials and Supplies	672
Water Pollution Control	
Capital Outlay	1,414,165
<u>Non-Major Funds</u>	
Garage	
Wages and Benefits	10,025

### 3. Findings for Federal Awards

There were no findings for federal awards to report in 2006.

## City of Lorain, Ohio

### Schedule of Prior Audit Findings OMB Circular A-133, Section .315(b)

**December 31, 2006**

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<b>Finding No.</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Explanation</b>
05-1	<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, 2005, 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 2006.
05-2	<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, 2005, 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 2006.
05-3	<p>Ohio Revised Code 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.</p> <p>At December 31, 2005, the City had total final appropriations in excess of total estimated revenue.</p>	Yes	The City has corrected this non-compliance in the year 2006.

## City of Lorain

200 West Erie Avenue, 6<sup>TH</sup> Floor  
Lorain, Ohio 44052  
(440) 204-2090

Response to Findings Associated With  
Audit Conducted In Accordance With  
*Government Auditing Standards*  
For The Year Ended December 31, 2006

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
06-1	Management will monitor fund balances and properly advance funds to cover deficit fund balances, if necessary.	N/A	Ronald Mantini, Auditor
06-2	Management will monitor expenditures and encumbrances and amend appropriations, if necessary.	N/A	Ronald Mantini, Auditor



**Mary Taylor, CPA**  
Auditor of State

**CITY OF LORAIN**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 2, 2007**