

City of Lorain, Ohio



Comprehensive Annual Financial Report

For the Year Ended December 31, 2003



**Auditor of State
Betty Montgomery**

City Council
City of Lorain
200 W. Erie Ave.
Lorain, OH 44052

We have reviewed the Independent Auditor's Report of the City of Lorain, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 12, 2004

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For the Year Ended December 31, 2003
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The City of Lorain, Ohio

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July 26, 2004

Citizens of Lorain
Lorain, Ohio

It is with great satisfaction, I submit this Comprehensive Annual Financial Report (CAFR) for the City of Lorain, Ohio, for the year ended December 31, 2003. This CAFR was prepared by the Lorain City Auditor's office. Management is accountable for the accuracy of the data and the entirety and fairness of the material presented, including all disclosures. We consider the information contained herein to be precise in all aspects relating to the City's financial activities and statistical data. This report was designed in a manner so that the reader may obtain a thorough and optimal understanding of the City's financial affairs, basic operations and general composition. Copies will be made available to all interested parties. This is the City's first year of reporting under the GASB 34 reporting model.

The Comprehensive Annual Financial Report is presented in three sections:

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

Reporting Entity

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

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

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

THE CITY OF LORAIN

Incorporated in 1874, the City of Lorain is located in Lorain County in northeastern Ohio on the shore of Lake Erie, approximately 30 miles west of Cleveland and 90 miles east of Toledo. Within a 500-mile radius of Lorain, reside 50 percent of the population of the United States and Canada, and 24 of the nation's 50 industrial markets.

Lorain's population in the year 2003 of 68,652 placed Lorain as the largest City in Lorain County and the tenth largest in the State.

The City's area is 23.8 square miles, or 15,226 acres, allocated by: residential land use of 39.5 percent; commercial/industrial land use of 15 percent; governmental land use of 6.5 percent; agricultural land use of 7 percent; undeveloped land use of 21 percent; and other tax exempt land use of 11 percent. Residential structures total 22,625, the number of dwelling units total 29,765, apartment buildings total 97, and mobile home parks total 8. For 2003, new construction of agriculture/residential property and commercial/industrial property totaled \$7,627,100 and \$2,812,100 respectively.

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

The Lorain Palace Civic Center, a 1,600 seat renovated facility on the National Register of Historic Places, operates with a variety of musical and cultural events year round and is located in downtown Lorain.

CITY GOVERNMENT

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

Legislative authority is vested in a 12-member **City Council** and a **Council President**. Council has three members who are elected at-large and nine who are elected from wards, all for two-year terms. The Council fixes compensation of City officials and employees, and enacts ordinances and resolutions including, but not limited to, City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal purposes. The presiding officer is the President of Council, who is elected by City voters for a two-year term.

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

developments.

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

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

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

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

MAJOR INITIATIVES AND ACHIEVEMENTS

The Auditor's office launched the City of Lorain's newly designed web site in October of 2003. This web site was totally revised from the previous site developed in the early 90's. The address of the new site is www.cityoflorain.org.

The new site has the following features:

- A separate section for **each City department** and **elected official**
- A City directory with phone numbers and e-mail addresses
- **Mayor's Action Center** – an on-line form to submit suggestions, requests, or complaints to the Mayor or Safety/Service department
- A **calendar of community and City events** section
 - Community organizations are encouraged to notify the Auditor's office of any events they wish to post on our web site
- An announcements section
- A section of forms used by the City of Lorain
- City Council agendas and meeting minutes (from May 29, 2003 forward)
- The **Codified Ordinances** of the City of Lorain
- Parks and Recreation section with a list of all City parks and their amenities
- Links of interest section for each City department as well as "Local Business links"
 - Local businesses are encouraged to notify the Auditor's office if they wish to post their business web site link on our web site.

We are excited about our new web site and hope the citizens of Lorain will use it often. The web site is a work in progress and we will continue to add information.

The **Department of Health** along with the two other health districts within Lorain County received funding from the Ohio Department of Health for emergency preparedness and infrastructure building. Through collective planning, identifying resources, improving communication and training, public health in Lorain County is better prepared to respond to bio-terrorism, outbreaks of infectious disease and other public health threats and emergencies. Funding was used to completely upgrade the department's computer network and provide individual workstations with internet access. Satellite receiver, television

monitors, and a VHS/DVD player were installed to enable on-site training of staff. Educational and training downloads are continuously provided for staff and other associated agencies. Also using infrastructure grant funding, the department's web site was updated to become secure and encrypted. This enables individuals to request Birth/Death records online via the internet. Requests can be made on the department's web site and charged to the individual's bank card. Overnight shipping is also available through the online request.

Tobacco Prevention Grant: Through the efforts of the Health Educator, Lorain City Health Department coordinated a countywide effort/application for local funding of a tobacco prevention grant. The Lorain County Tobacco Prevention Partnership received a \$180,000 annual award.

According to the **Lorain Municipal Court's** Annual Report, there were 16,316 cases filed during 2003. This included 4,879 Criminal Cases and 7,861 Traffic Cases. In addition to the Criminal and Traffic cases, 3,329 new civil cases were filed. In the Small Claims Division a total of 247 cases were filed.

The **Lorain Police Department** received two grants during 2003. The first was awarded by the U.S. Department of Justice in the amount of \$40,351 to target high crime areas in the City. Officers work this grant on an overtime basis. The program has been highly successful. The second grant, awarded by the Ohio Department of Public Safety in the amount of \$34,738 was used specifically for DUI and Speed enforcement.

The department once again sponsored a "Do The Right Thing Back to School Festival." Bags of school supplies were distributed to 2,500 children at the festival. This program was designed to positively impact the youth in the area by publicly recognizing children who distinguish themselves through their behavior and by establishing them as role models for their peers. Since the program's inception, 257 students have been nominated and 80 have been selected as winners.

Each year the department operates Lorain Safety Town. In 2003, 360 children participated and graduated from the program.

Plans for a new jail and renovation of the Police station continued to progress in 2003 with groundbreaking scheduled for early 2004.

The **Lorain Police Auxiliary Unit** was very active in 2003. The Police Auxiliary supplements the regular Lorain Police Department in the performance of certain duties as promulgated by the Director of Public Safety/Service and the Chief of the Lorain Police Department. The Auxiliary has as its objective to safeguard and protect the general health, welfare, property and safety of the citizens of the City Of Lorain. The number of Auxiliary volunteer hours set a record in 2003. The 20,040 volunteer hours in 2003 is worth approximately \$700,000 in enhanced services to the citizens of Lorain.

The **Lorain Parks and Recreation Department** provides the citizens with a wide variety of activities in 57 parks throughout the City, covering 868 acres. The Recreation department sponsored several successful programs for Lorain's school-age children. The Santaland at Lakeview Park attracted nearly 2,200 visitors last year. Easterland, which was held at both Oakwood and Lakeview Parks, had a total of 1,850 children meet with the Easter Bunny. The Halloween Parade and costume-judging contests had nearly 300 participants. Subway Park received two new backstops and an improved parking lot in the fall of 2003. New playground equipment was installed in Westwood and Maple Parks. Oakwood Park Fast Pitch field was updated with new lights and poles, while replacement bulbs and lenses were added to the slow pitch fields at Campana and Oakwood Parks.

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

- The **Billing division** remodeled its data entry area to allow for a better handling of data input and customer service.
- The **Purification** department began to explore alternatives to how they feed chemicals into the system to maintain pH and prevent pipes from clogging. This change represents a significant improvement and will help with mechanical wear of both in plant systems and distribution piping.
- Two main projects dominated the **Distribution** department in 2003 - the 4W water project and the East side water loop.
 - The 4W project replaced lines at several locations on the west side of Lorain improving service to many customers. Water pressures were increased and aged leaking distribution lines were replaced. A total of seven miles of waterline was replaced.
 - The second major distribution project was bringing back into service the abandoned east side water loop. This line fed the east side of Lorain providing a backup feed in case the main supply coming from the water plant was to fail.
- The Black River Wastewater Treatment Plant demolished the incinerator unit, which was used to process sludge. The unit was not operational for many years.
- Other department activities included the continuation of programs such as: inspecting all manholes and cleaning and televising sewers; installing rain guards in problem manholes; installing chimney seals in manholes as a preventative measure to reduce infiltration into them; and the summer sewer discount for sewer usage (based on average winter month usage).

Many of the current developments in the City were overseen by the **Engineering Department**. The Riverfront Urban Renewal Project, Cooper Foster Park Road widening, several new housing developments, the new Lorain City Jail project and the local roadway rehabilitation project were just some of the many projects they were involved in during 2003.

ECONOMIC CONDITIONS AND OUTLOOK

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

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

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

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

outpatient services in the County area. CHP is also affiliated with Cleveland, Ohio-based University Hospitals Health Systems.

Ford Motor Company ("Ford"), the City's second largest employer with over 1,600 employees, announced in January 2002 plans to restructure and eliminate 35,000 jobs worldwide in an effort to enhance profitability. Ford announced in 2003 that it would close its Lorain Assembly Plant within the next two years and send all Econoline Van production to the Ohio Assembly Plant in nearby Avon Lake. This plant closing will negatively impact the City which could lose significant municipal income tax revenue, personal property tax revenue and real estate taxes, depending on what is done with the existing facility.

The Lorain City School District (the "School District") is the City's third largest employer with over 1,400 employees. In November 2001, the electors of the School District, located wholly within the City, approved a \$41 million bond issue to pay the local share of an estimated \$216 million classroom facilities improvement project. The City estimates that this project will result in \$3.5 million in income taxes for the City over the next 10 years from construction jobs and building permits. In 2003, construction started on three of the schools and the City realized over \$100,000 in additional revenues from building permits and other fees. In 2004, the City expects that the facilities improvement project will result in over \$300,000 of additional incomes taxes from construction jobs and \$158,600 in additional revenues from building permits and other fees as construction will begin on four additional schools.

Republic Engineered Products ("REP") is North America's leading supplier of high-quality steel bars and is the City's fourth largest employer with over 1,000 employees. REP is headquartered in Fairlawn, Ohio and its products are used in applications in the automotive, agricultural, aerospace and energy industries.

REP was formed in August 2002, after two investor groups, KPS Special Situations Fund and Hunt International Group, paid about \$463 million for about 60% of the assets of the then-bankrupt Republic Technologies International ("RTI"). At that time, about 350 employees who worked in the City lost their jobs.

In October 2003, REP filed for Chapter 11 Bankruptcy, citing the August 14, 2003 black-out of electrical power that affected Ohio and the Northeast United States and Canada and the resulting damage to a blast furnace as a cause. The blast furnace was severely damaged when the outage cut power to water pumps used to cool molten steel, which overflowed and exploded when it came in contact with water, thereby causing an estimated \$10 million in damages. On December 11, 2003, a U.S. Bankruptcy judge approved the tentative sale of REP's assets to Perry Strategic Capital, which formed PAV Republic Inc., to take over and operate the assets of REP. The plant continues to operate and income tax revenues from the plant have remained fairly steady.

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

Marconi Communications (Marconi) is a major global communications company that delivers communications services for networks, wireless and enterprise customers. During 2003, Marconi closed its North Ridgeville, Ohio office and relocated approximately 160 jobs to the City. With that relocation, Marconi has over 500 employees in the City, making it the sixth largest employer. On August 12, 2003, Marconi announced that it will be ceasing the operations of its manufacturing division located in the City and that approximately 230 jobs would be eliminated over 18 months. The closing is expected to cost the City an estimated \$150,000 in income tax revenues in 2004. The City believes that the impact of this

closing on its real and personal property tax revenues on an ongoing basis will be minimal. In excess of 300 employees will remain employed by Marconi at its offices in the City. The City lost approximately \$500,000 annually in income tax revenues as a result of Marconi's 2001 reorganization and worldwide workforce reduction.

The City has pursued several areas for urban renewal enhancement and redevelopment. A development agreement with Spitzer Great Lakes, Ltd, Company provides for an estimated \$100 million, 62-acre development project which includes a 420-unit residential housing development known as "**HarborWalk**," nautical boutiques, restaurants, a health club, a boardwalk and pier, a commercial fishing village and a 34,000 square foot commercial center. Groundbreaking for this project took place in October 2001. The HarborWalk Project involves an area which includes the former shipyard section of the City's downtown riverfront. A 19-acre Riverside Marina (\$3.5 million in completed improvements, financed with bonds issued by the Lorain Port Authority) will remain on the site. Financial support for this project currently includes \$1 million of State roadwork development grants (awarded in 2001), \$485,000 in State roadwork loans at a 0 percent interest rate, \$4.85 million in City-backed tax-increment financing bonds for land acquisition and public improvements, and City-granted tax abatements. Groundbreaking for the construction of the California Avenue extension (the first public roadway into the development site) was held on April 9, 2001, and that roadway and related infrastructure is now nearing completion. Spitzer Great Lakes, Ltd, Company began construction of the first phase of residential structures in April 2002. A total of 98 units were constructed by the end of 2003 with an estimated value in excess of \$17,100,000. As of December 31, 2003, 92 units have been sold with two sales pending and four homes being used as models

On June 15, 2003, the City issued its second series of urban renewal bonds for HarborWalk in the amount of \$4,470,000 to construct the second phase of public improvements, acquire land for redevelopment and further implement the Revised Riverfront Urban Renewal Plan. A contract was awarded and construction for the second phase of public improvements began in the summer of 2003. This phase is anticipated to be completed by the end of 2004 and will allow for the construction of approximately 51 additional units valued at more than \$11 million in 2004, 60 units with an estimated value of \$13,250,000 in 2005, and an additional 60 units with an estimated value of \$13.2 million in 2006. A 36-unit multifamily building will also be able to be constructed in this second phase of public improvements with an estimated value in excess of \$2.5 million.

A voter-approved one-mill property tax levy for the **Lorain Port Authority** (renewed in 1999) generates approximately \$650,000 a year, enabling the Port Authority to pursue a variety of economic development projects. Those recent and current projects include:

- The 25-acre "Black River Landing" project began in 2001. That project is being developed as an intermodal transportation center linking cars, buses, watercraft and commuter trains to Cleveland and serving recreational uses. The Port Authority has received \$6.95 million of federal funds for the project. The project was completed in November 2002 and was opened in 2003. The site is also to include a museum, festival grounds, transient boat and water taxi docks, recreational areas and a boardwalk along the river. A major new access roadway to the Grove Site called "Black River Lane" was recently constructed. The Lorain Port Authority is now accepting proposals for the private, for-profit development of approximately 14 acres of the Black River Landing that is not a part of the intermodal transportation center.
- The Colorado Industrial Park is a joint City and Port Authority project. The first phase was started in 1997, encompasses 36-acres (with 23 developable acres) on the City's east side and currently houses Advanced Automotive Systems and a U.S. Postal Service carrier annex. Advanced Automotive constructed a 20,000 square foot addition in 2000 creating approximately

140 jobs. A 40,000 square foot, \$2 million expansion was completed in 2002 for Advanced Automotive and is expected to create additional jobs.

The City, in 2003, completed negotiations and entered into a purchase agreement for the acquisition of additional property for the Colorado Industrial Park. City Council has authorized the acquisition of approximately 408 acres from U.S. Steel to be used to expand the Colorado Industrial Park. Only 143 of the 408 acres are developable. The remainder is occupied by a landfill and wetlands. In addition, the City received approval for a \$4.5 million HUD Section 108 loan guarantee and a \$500,000 HUD Brownfield Economic Development Initiatives Grant for the further development of the Colorado Industrial Park. The City is applying for an additional \$2.2 million from the HUD Section 108 loan for expansion of the Colorado Industrial Park. The City is applying for a United States Department of Commerce Economic Development Administration grant of \$2.0 million to extend the roadway and provide additional access to the Colorado Industrial Park. The City also has applications pending with the Ohio Department of Development for an Urban Redevelopment Loan of \$2.9 million. At this time HUD has approved the City's request to incur costs related to the development of the Colorado Industrial Park expansion.

In the area of housing:

- The City Planning Commission has approved the 529-acre Martin's Run housing development project and rezoning request for a Planned Unit Development. The development calls for over 2,000 housing units over a 15-year period. The rezoning plans have also been approved by City Council. Construction has begun, and 53 homes have been completed as of December 31, 2003.
- Camden Ridge is a 57-acre housing development on the City's west side. Construction in this development began in early-2001. Plans call for 155 single family homes in the \$140,000 to \$250,000 price range. As of December 31, 2003, 105 homes have been constructed and are occupied.
- Mallard Creek is a housing development in the City on the west side of Oak Point Road. Plans for the development call for 50 single-family homes in the \$175,000 to \$225,000 price range. Construction has begun on three units and there are plans to complete 6 to 8 additional units by the end of the year.
- Catholic Charities Facilities Corporation plans the transformation of the former Nativity Elementary School into a housing complex for the elderly. The reconstructed facilities, including a new addition, will consist of 36 apartments, a community room, craft room and new bathroom. One and two bedroom units will be available ranging from 900 to 1,000 square feet. Total project costs are estimated to range from \$3.7 to \$4 million. Construction began in 2003 and is expected to be complete in 2004.
- A lakefront condominium project proposed for the City's west side will contain 24 upscale units and nine 5,000 square foot lake-view homes having access to 700 feet of natural beach with prices starting at \$439,000. The project, named "La cote de Lac," will develop one of the few remaining available pieces of property located on Lake Erie in the County. The Army Corps of Engineers and Ohio Environmental Protection Agency have issued permits for this project. Water and sewer lines have been installed. The break wall was installed and roads have been completed. Six units and a clubhouse have been completed as of December 31, 2003, and an additional six townhouses are projected to be completed by the end of 2004.

- During 2001, the City commenced construction of six affordable single-family residences as part of its Affordable In-Fill Housing program. An additional six homes were approved to be constructed during 2003-2004. All twelve houses have been completed and sold. The estimated value of these homes is \$1.3 million. City Council has authorized the construction of an additional seven in-fill houses, with construction expected to be complete by September 2004.

Walgreen's, a national drugstore chain, recently constructed a new 14,490 square foot store on approximately 5.6 acres on the City's west side. The store opened in January 2003.

FINANCIAL INFORMATION – ACCOUNTING CONTROLS

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

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

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

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

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

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

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

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

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

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

As a part of this reporting model, management is responsible for preparing a Management Discussion and Analysis of the City. This discussion follows the Independent Auditors' Report, providing an assessment of the City finances for 2003.

CAPITAL ASSETS

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

The Auditor's Office completed a capital asset inventory for the year ended December 31, 2003. Costs of capital assets, depreciation, maintenance, updates, dispositions, and transfer procedures for capital assets are outlined in detail in the Capital Asset Manual.

BUSINESS-TYPE FUNDS

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

CASH MANAGEMENT

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

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

RISK MANAGEMENT

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

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

INDEPENDENT AUDIT

The City of Lorain selected the firm of Ciuni & Panichi, Inc. to render an opinion on the City's financial statements as of December 31, 2003. The 2003 Independent Auditors' Report, issued by Ciuni & Panichi, Inc. gave a clean, unqualified opinion. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996. The Independent Auditors' Report on the basic financial statements is included in the financial section of this report. Copies of the Single Audit Reports may be obtained from the City Auditor's Office.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2002.

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

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

ACKNOWLEDGMENTS

I would like to acknowledge the dedicated effort of the Auditor's staff in the preparation of this Comprehensive Annual Financial Report. Many long hours were spent in the preparation and proofreading of the CAFR. Special thanks are extended to Anita J. Harper, Chief Deputy Auditor and Patricia L. Dunnigan, Deputy Auditor. Without their effort this document, 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 division 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, 2002

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

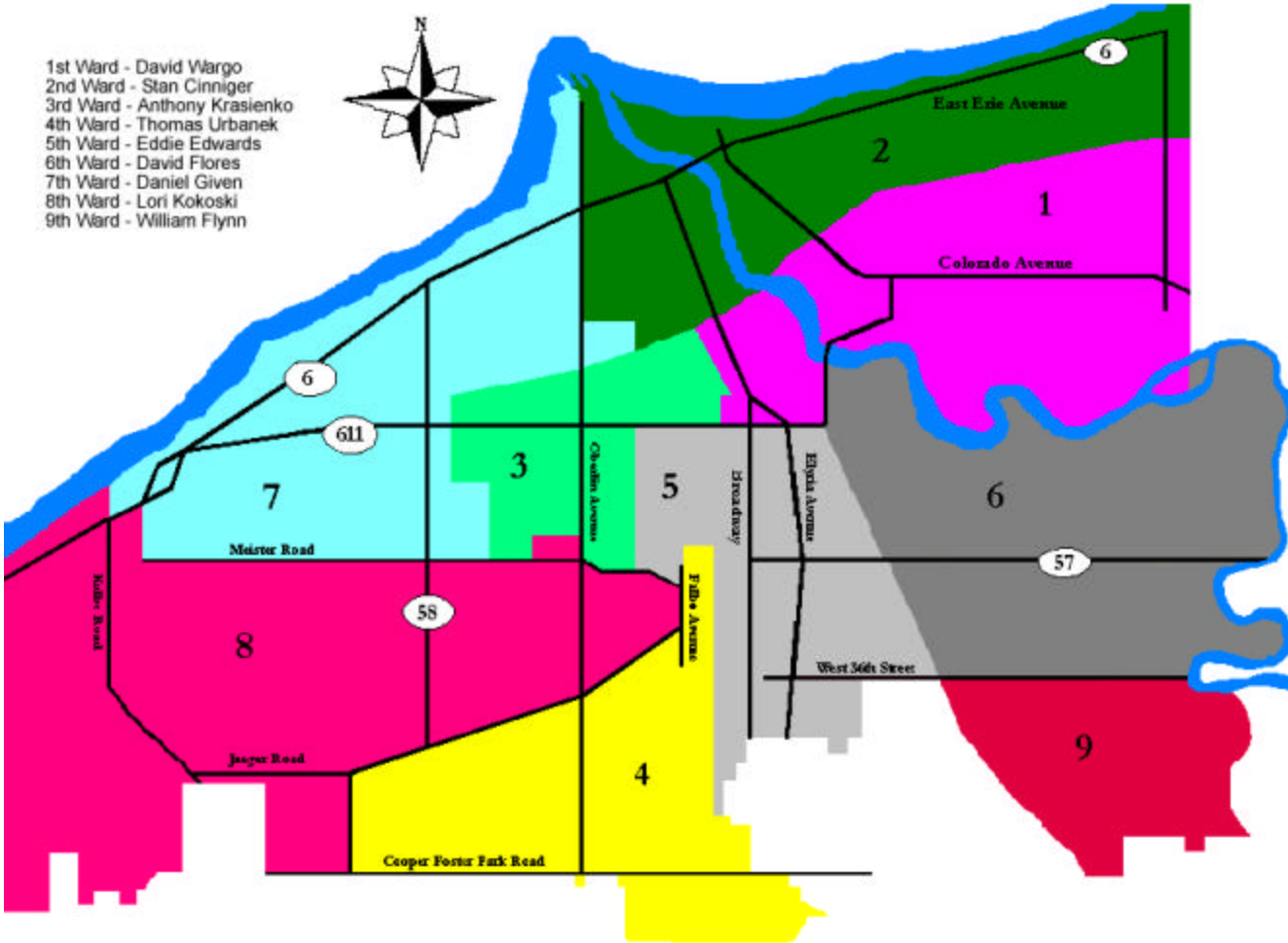
<u>TITLE</u>	<u>NAME</u>	<u>YEARS OF SERVICE IN OFFICE</u>	<u>YEARS OF SERVICE WITH THE CITY</u>
Mayor	Craig Foltin	4	10
City Auditor	Ronald L. Mantini	4	4
City Treasurer	Lori Maiorana	15	23
Director of Law	Mark Provenza	4	15
Clerk of Courts	Stephen Bansek	23	27
Judge	Mark Mihok	2	15
Judge	Gustalo Nunez	12	33
<i>Members of Council:</i>			
Council President	Kenneth Shawver	2	14
Council at Large	Anne Molnar	6	6
Council at Large	Fred Lozano	2	12
Council at Large	Kathy Tavenner	4	10
1 ST Ward	David Wargo	4	7
2 nd Ward	Stan Cinniger	4	4
3 rd Ward	Anthony Krasienko	8	8
4 th Ward	Thomas Urbanek	18	18
5 th Ward	Eddie Edwards	6	6
6 th Ward	David Flores	6	6
7 th Ward	Daniel Given	10	10
8 th Ward	Lori Kokoski	4	4
9 th Ward	William Flynn	2	10

APPOINTED OFFICIALS

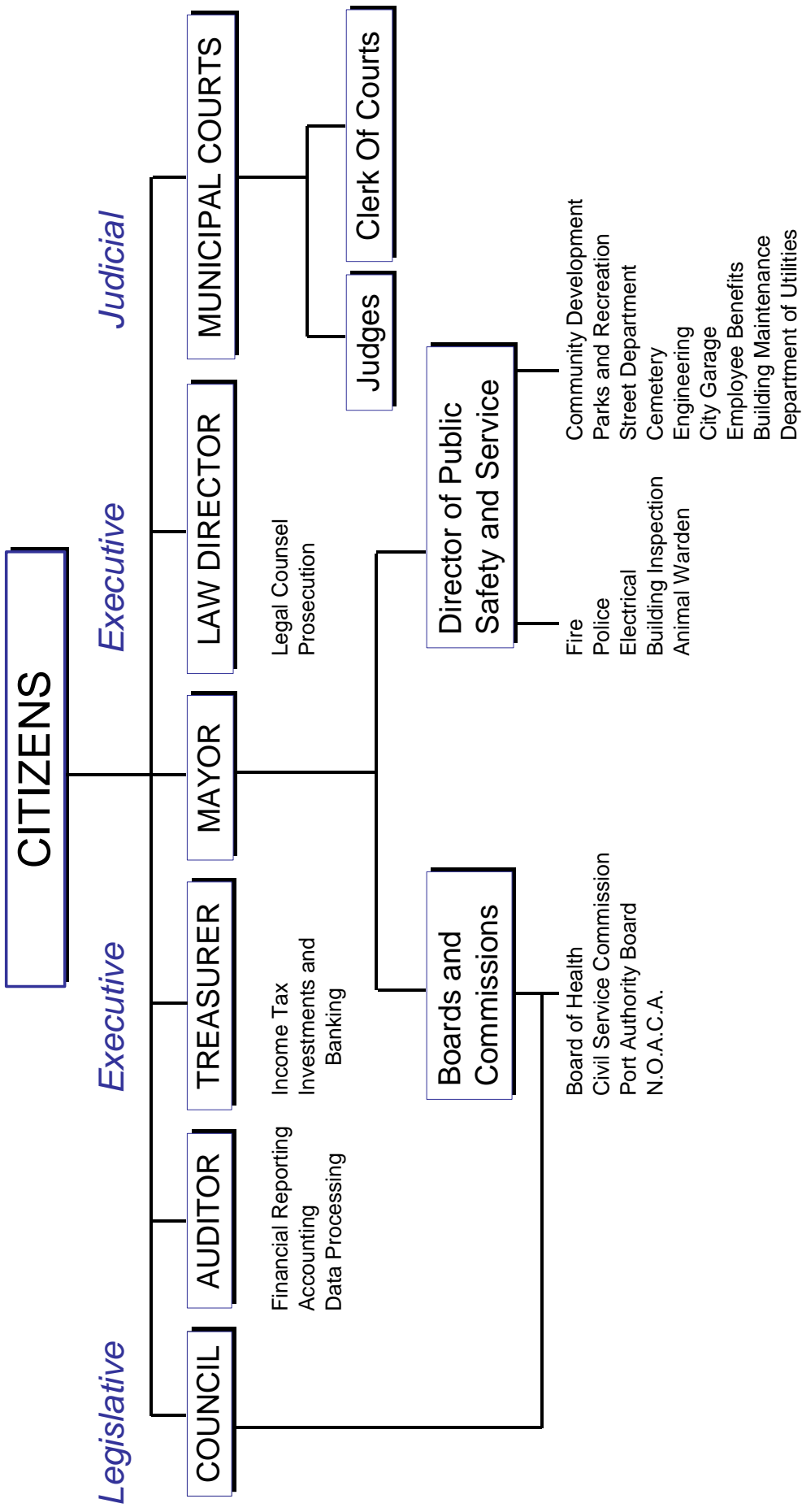
<u>TITLE</u>	<u>NAME</u>	<u>YEARS OF SERVICE IN OFFICE</u>	<u>YEARS OF SERVICE WITH THE CITY</u>
Director of Public Safety/Service	Craig Miller	4	10
Police Chief	Celestino Rivera	9	33
Fire Chief	Phil Dore	5	29
Director of Utilities	Charles Hoffer	1	1
Director of Community Development	Sanford Prudoff	31	31
Acting Director of Park & Recreation	Bob Renney	1	19
Street Commissioner	Chuck Camera	13	32
Building Inspector	William Desvari	1	1
Administrative Director (Engineering)	Patrick McGannon	5	33
Chief Deputy Auditor	Anita Harper	4	4
MIS Director	David Comer	9	9
Clerk of Council	Nancy Greer	9	12

City of Lorain Voting Wards

- 1st Ward - David Wargo
- 2nd Ward - Stan Cinniger
- 3rd Ward - Anthony Krasienko
- 4th Ward - Thomas Urbanek
- 5th Ward - Eddie Edwards
- 6th Ward - David Flores
- 7th Ward - Daniel Given
- 8th Ward - Lori Kokoski
- 9th Ward - William Flynn



City of Lorain - Organizational Chart



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Independent Auditors' Report

Members of the City Council
City of 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 City of Lorain, Ohio, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lorain's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Community Development Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2004 on our consideration of the City of Lorain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members of the City Council
Lorain, Ohio

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City of Lorain's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund financial statements to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cuni & Panichi, Inc.

Cleveland, Ohio
July 26, 2004

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The discussion and analysis of the City of Lorain's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. 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 2003 are:

- The City issued general obligation bonds in the amount of \$4,470,000 to finance Phase II of the Riverfront Urban Renewal Plan which includes the construction of public improvements and the acquisition of land for redevelopment. This project is commonly known as the HarborWalk development project and is located on the Black River. HarborWalk includes 420 units of upscale residential housing, nautical boutiques, restaurants, a health club, a boardwalk and pier, a commercial fishing village and a 34,000 square foot commercial center.
- The City also issued general obligation bonds in the amount of \$1,775,000 for the purchase of real property for park purposes and for road improvements (Oak Point Road, Mississippi and Dallas Avenues).
- The City's deficit cash balance in the general fund for 2003 was \$1,672,003. This is an increase of \$423,182 over 2002. This increase in the deficit occurred in spite of wage freezes by City employees and cost containment measures instituted by the City.
- Total assets decreased by \$6,069,077 from 2002 to 2003, or 1.89 percent.
- Total liabilities increased by \$5,579,233 from 2002 to 2003, or 6.18 percent.
- Total net assets decreased \$11,648,310 from 2002 to 2003, or 5.03 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, 2003
Unaudited

Reporting the City of Lorain Financial Statements

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions to determine how the City did financially during 2003. The *Statement of Net Assets* and the *Statement of Activities* provides this information. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Lorain's Most Significant Funds

Fund Financial Statements

The presentation of the City's major funds begins on page 20. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. The City of Lorain's major funds are: the General Fund, Community Development, General Obligation Bond Retirement, Capital Improvements, Water and Water Pollution Control Fund.

Governmental Funds

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

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Proprietary Funds

Proprietary funds (Water and Water Pollution Control (Sewer) Funds) have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole. The Proprietary Fund financial statements can be found beginning on page 26 of this report.

Internal Service Funds

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City of Lorain maintains two Internal Service Funds: the Garage Fund which accounts for charges to various departments for maintenance on vehicles and equipment and the Hospitalization Fund which accounts for the hospital/medical, prescription drug, vision, and dental benefits for the self-insurance program for the employees of the City. The Internal Service Fund financial statements can be found beginning on page 26 of this report.

Fiduciary Funds

The City's only fiduciary funds are agency funds. Agency funds are purely custodial funds used to account for resources held for the benefit of parties outside the City government and do not involve the measurement of results of operation. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The Fiduciary Fund financial statement can be found on page 30 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the City-wide and fund financial statements. The notes to the financial statements can be found on pages 31-68 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 69-120 of this report.

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 2003 as compared to 2002.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

TABLE 1
NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$50,368,407	\$41,408,835	\$10,367,475	\$14,834,807	\$60,735,882	\$56,243,642
Capital Assets,						
Nondepreciable	15,717,854	12,140,001	12,579,193	19,980,113	28,297,047	32,120,114
Capital Assets,						
Depreciable, Net	164,720,894	183,117,741	62,011,946	50,353,349	226,732,840	233,471,090
<i>Total Assets</i>	230,807,155	236,666,577	84,958,614	85,168,269	315,765,769	321,834,846
Liabilities						
Current and Other Liabilities	9,420,347	8,811,286	1,847,905	1,515,385	11,268,252	10,326,671
Long-Term Liabilities:						
Due Within One Year	6,850,262	9,075,477	2,841,538	2,740,627	9,691,800	11,816,104
Due in More Than One Year	36,872,672	30,796,487	37,970,765	37,284,994	74,843,437	68,081,481
<i>Total Liabilities</i>	53,143,281	48,683,250	42,660,208	41,541,006	95,803,489	90,224,256
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	150,062,170	167,049,242	35,322,403	39,214,579	185,384,573	206,263,821
Restricted:						
Capital Projects	10,820,008	8,769,983	0	0	10,820,008	8,769,983
Debt Service	603,071	694,083	0	0	603,071	694,083
Replacement and Improvement	0	0	300,000	300,000	300,000	300,000
Utility Reserve	0	0	1,364,750	1,069,053	1,364,750	1,069,053
Other Purposes	24,485,901	19,726,123	0	0	24,485,901	19,726,123
Unrestricted (Deficit)	(8,307,276)	(8,256,104)	5,311,253	3,043,631	(2,996,023)	(5,212,473)
<i>Total Net Assets</i>	\$177,663,874	\$187,983,327	\$42,298,406	\$43,627,263	\$219,962,280	\$231,610,590

Net assets may serve over time as a useful indicator of a City's financial position. For the City of Lorain, total net assets exceeded liabilities by \$219,962,280 with \$177,663,874 in governmental activities and \$42,298,406 in business-type activities as of December 31, 2003. The largest portion of the City's net assets (84.3 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 (17.1 percent) represents resources that are subject to restriction on how they can be used. The unrestricted deficit balance is due largely to deficiencies in cash flow in the General Fund. The administration is actively seeking solutions to this problem.

The *Statement of Activities* shows the changes in net assets for the year ended December 31, 2003. Table 2 provides the detail data. Since these are the first financial statements following the City's implementation of GASB Statement No. 34, comparative data is not available for revenue and expense for 2002 vs. 2003. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total
Revenues:			
Program Revenues:			
Charges for Services	\$3,720,634	\$15,919,436	\$19,640,070
Operating Grants and Contributions	11,509,194	0	11,509,194
Capital Grants and Contributions	4,535,632	0	4,535,632
<i>Total Program Revenues</i>	<u>19,765,460</u>	<u>15,919,436</u>	<u>35,684,896</u>
General Revenues:			
Municipal Income Taxes	16,558,559	0	16,558,559
Property Taxes	4,123,897	0	4,123,897
Investment Income	162,478	88,836	251,314
Intergovernmental Revenue not Restricted to Specific Programs	434,976	0	434,976
Miscellaneous	814,192	58,743	872,935
<i>Total General Revenues</i>	<u>22,094,102</u>	<u>147,579</u>	<u>22,241,681</u>
Total Revenues	<u>41,859,562</u>	<u>16,067,015</u>	<u>57,926,577</u>
Program Expense:			
General Government	18,594,382	0	18,594,382
Security of Persons and Property	20,151,907	0	20,151,907
Transportation	6,704,576	0	6,704,576
Community Environment	770,420	0	770,420
Public Health	1,985,041	0	1,985,041
Leisure Time Activities	1,311,140	0	1,311,140
Economic Development	825,936	0	825,936
Intergovernmental	18,420	0	18,420
Interest and Fiscal Charges	1,817,193	0	1,817,193
Water Works	0	7,701,592	7,701,592
Water Pollution Control	0	9,694,280	9,694,280
Total Expenses	<u>52,179,015</u>	<u>17,395,872</u>	<u>69,574,887</u>
Decrease in Net Assets	(10,319,453)	(1,328,857)	(11,648,310)
Net Assets, January 1, 2003	<u>187,983,327</u>	<u>43,627,263</u>	<u>231,610,590</u>
Net Assets, December 31, 2003	<u>\$177,663,874</u>	<u>\$42,298,406</u>	<u>\$219,962,280</u>

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

GOVERNMENTAL ACTIVITIES

There are several revenue sources that fund the City's governmental activities. Total revenues for 2003 were \$41,859,562. Income tax revenues account for one of the largest sources of revenue - \$16,558,559 or 39.6 percent. The income tax rate for the General Fund of the City is 1.5 percent and was last amended in 1984. In 1992 an additional .25 percent was approved by the citizens of Lorain for the Police (money collected is in a separate Police Levy Fund). In May 2003 the electors rejected a 1/8 percent increase in the income tax rate. A modest increase was realized due to the change in employer withholding due date from the end of the month to the 15th of the month.

Other major sources of revenue in governmental activities are: Operating Grants and Contributions of \$11,509,194 or 27.5 percent (this includes \$3,736,482 in Community Development block grants and HUD money, \$4,976,630 in Local Government Funds and 2,106,496 in licenses plate and gas taxes), property and other taxes of \$4,123,897 or 9.9 percent and Capital Grants and Contributions of \$4,535,632 or 10.8 percent. The remaining 10.9 percent is made up of interest, unrestricted grants and miscellaneous revenues.

The City has a strong economic development program, through our Community Development Department, which is aggressively pursuing new businesses to support the City's governmental activities. The City of Lorain, through the Administration and City Council, has been pursuing strategies that will expand the local tax base, expand employment opportunities, improve economic conditions and diversify the local industrial base. A strategic area on the City's east side has been identified as being a key redevelopment area that will foster the necessary conditions to allow for economic growth. Since the year 2000, the City has adopted the Colorado Avenue Industrial Area Urban Renewal Plan and authorized funding to create the 145 acre Colorado Industrial Park. This project has the potential of creating over 2,000 jobs.

Total governmental program expenses for 2003 were \$52,179,015. Security of persons and property accounted for program expenses of \$20,151,907 which is 38.6 percent of the total governmental activity expenses for the City. General government expenses were \$18,594,382 which is 35.6 percent and transportation expenses were \$6,704,576 which is 11.6 percent.

The Police Department continues to operate within its operating budget. The department has a special income tax levy of .25 percent which is used for additional police officers and equipment. This money is utilized to purchase new vehicles, equipment that will better serve our community and provide extra police officers.

The Fire Department is funded with General Fund revenues and is operating within its budget. In 2002 the Fire Department received \$2,100,000 from a Safety/Service General Obligation Bond to purchase a new fire station and new equipment. In 2003, the fire department completed the move to its new west side station. Also in 2003, the department took delivery of a new aerial ladder truck and a pumper. The department continues to upgrade emergency fire and rescue equipment to better serve the community.

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

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
General Government	\$18,594,382	\$16,303,735
Security of Persons and Property	20,151,907	15,208,526
Transportation	6,704,576	562,448
Community Environment	770,420	455,821
Public Health	1,985,041	481,578
Leisure Time Activities	1,311,140	976,380
Economic Development	825,936	(3,410,546)
Intergovernmental	18,420	18,420
Interest and Fiscal Charges	1,817,193	1,817,193
<i>Total</i>	\$52,179,015	\$32,413,555

Business-Type Activities

Utility services for water and sewer saw an increase in charges for services in 2003. The City closely monitors the utility rate structure to insure it meets both the revenue bond indenture requirements and its operating needs including debt. Based on current financial requirements, it appears the City will need to raise both water and sewer rates in 2004 to meet these requirements.

The Utilities Department completed two main projects in 2003. The first was replacing seven miles of water lines on the west side and central Lorain areas in order to improve service to many customers. The second project was to bring back into service an abandoned east side water loop to act as a backup feeder line to the main supply to the East Side of Lorain. Three major sewer projects were started in 2003 – the Kay Drive retention basin, the Amherst relief sewers and the Pearl-Tacoma avenues pump station. These three projects are scheduled to be completed in 2004 and will be funded through OWDA funds.

Financial Analysis of the City's Funds

Information about the City's governmental funds begins on page 20. These funds are accounted for by using the modified accrual basis of accounting to ensure compliance with finance related legal requirements.

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

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

For the year ended December 31, 2003 the City's governmental funds had combined total revenues of \$37,410,688 and expenditures of \$45,370,767. The City's governmental funds had a combined ending fund balances of \$32,618,070. Of this total amount, \$14,899,154 or 45.7 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 \$755,453, while the total fund balance was \$858,006. As a measure of the General Fund liquidity, it may be helpful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.3 percent of total General Fund expenditures, while total fund balance represents 3.7 percent of that same amount.

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.

General Fund expenditures are shown in Table 4.

Table 4

Service Component	Amount Expended	Percent Expended
General Government	\$6,944,080	29.14 %
Security of Persons and Property	14,940,555	62.70
Public Health	278,430	1.17
Community Development	514,203	2.16
Leisure Time Activities	1,109,801	4.66
Intergovernmental	18,420	0.08
Debt Service	21,433	0.09
<i>Totals</i>	\$23,826,922	100.00 %

There was a difference in revenue of \$109,609 between the final amended budget and the actual collected revenue.

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The net increase in expenditures of \$1,099,984 between the final amended budget and the actual includes the following major changes made during the year:

- \$670,748 increase in utility expenses
- \$449,280 increase in Police wages and benefits
- \$209,127 increase in Fire wages and benefits
- \$110,757 increase in Parks and Recreation wages and benefits
- \$194,000 decrease due to a fire grant not received or spent
- \$114,170 decrease of General Government expenses

Revenues and expenditures are constantly being reviewed by the Auditor's office for adherence to 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, 2003 were \$255,029,887. Of this total, \$180,438,738 was for governmental activities and \$74,591,139 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.

Table 5
Capitals Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2003	2002	2003	2002	2003	2002
Land	\$7,148,077	\$7,148,077	\$617,876	\$465,376	\$7,765,953	\$7,613,453
Construction in Progress	8,569,777	4,991,924	11,961,317	19,404,254	20,531,094	24,396,178
Buildings and Improvements	8,688,128	8,737,790	22,727,540	23,339,017	31,415,668	32,076,807
Machinery and Equipment	7,629,406	8,046,104	2,342,597	1,950,873	9,972,003	9,996,977
Furniture and Fixtures	58,692	63,157	0	0	58,692	63,157
Infrastructure:						
Streets and Sidewalks	148,344,668	166,270,690	0	0	148,344,668	166,270,690
Water Lines	0	0	12,523,438	10,187,926	12,523,438	10,187,926
Sewer Lines	0	0	24,418,371	14,987,630	24,418,371	14,987,630
<i>Total Capital Assets</i>	<u>\$180,438,748</u>	<u>\$195,257,742</u>	<u>\$74,591,139</u>	<u>\$70,335,076</u>	<u>\$255,029,887</u>	<u>\$265,592,818</u>

City of Lorain, Ohio
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Major capital asset additions in governmental activities during the fiscal year included the following:

- \$2,048,946 – Colorado Avenue/Riverfront Urban Renewal Road and infrastructure
- \$575,069 – U.S. Route 6 road re-pavement
- \$490,685 – Fulmer and Meister road re-pavement
- \$217,724 – Park improvements (lighting and play ground sets)
- \$237,982 – A new Cemetery office and maintenance building and renovations to the existing chapel
- \$211,119 – Police and Jail addition

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

- \$10,176,676 – Idaho Avenue sewer replacement
- \$3,135,453 – Water line replacement
- \$2,663,224 – Westside water line replacement
- \$959,341 – Oberlin Road retention basin
- \$873,544 – North Ridge Road and Cooper Foster Park Road sewer replacement

Of these major capital asset additions the Colorado Avenue/Riverfront, U.S. Route 6, Fulmer and Meister, chapel renovations, police and jail addition, Water line replacement, Oberlin Road retention basin, and the North Ridge Road and Cooper Foster Park Road sewer replacement projects were still in progress at year end.

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

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

Debt Administration

On December 31, 2003, the City of Lorain had \$77,609,879 in bonds, loans, notes and capital leases outstanding, with \$9,691,800 due within one year. Table 6 summarizes bonds, loans, notes and capital leases outstanding.

Table 6
Outstanding Debt at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General Obligation Bonds	\$25,986,116	\$21,419,262	\$1,885,000	\$2,215,000	\$27,871,116	\$23,634,262
Special Assessment Bonds	1,012,831	565,738	0	0	1,012,831	565,738
Revenue Bonds	0	0	11,880,190	12,694,494	11,880,190	12,694,494
OPWC Loans	1,855,801	1,350,995	0	0	1,855,801	1,350,995
OWDA Loans	0	0	25,654,980	23,846,979	25,654,980	23,846,979
HUD Section 108 Loans	4,955,000	5,325,000	0	0	4,955,000	5,325,000
Notes Payable	3,625,000	4,809,000	0	0	3,625,000	4,809,000
Installment Loans	17,787	63,505	0	0	17,787	63,505
Capital Leases	592,394	769,684	144,780	156,561	737,174	926,245
<i>Total</i>	<u>\$38,044,929</u>	<u>\$34,303,184</u>	<u>\$39,564,950</u>	<u>\$38,913,034</u>	<u>\$77,609,879</u>	<u>\$73,216,218</u>

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The general obligation bonds include the following:

- \$8,630,000 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.
- \$4,755,000 Riverfront Urban Renewal bond issued in 2000 for Phase I of the HarborWalk project.
- \$4,470,000 Riverfront Urban Renewal bond issued in 2003 for Phase II of the HarborWalk project.
- The remainder are for various purposes dating back to 1984.

The special assessment bonds consist of three street assessment projects.

The revenue bonds are for water (\$7,436,443) and sewer (\$4,846,359) and both were issued in 1995.

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

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

- \$1,145,974 from 1978 for the South East sewer interceptor
- \$1,936,458 from 1999 for the East Erie waterline replacement
- \$2,439,264 from 2001 for the Colorado Avenue/Root Road waterline replacement
- \$2,228,974 for the West Side waterline replacement
- \$4,286,501 from 2001 for the Tacoma Avenue relief sewer (SSO)
- \$8,829,297 from 2001 for the Idaho Avenue pump station (SSO)
- \$3,080,489 from 2003 for the Central Lorain waterline replacement

The HUD Section 108 Loans are Community Development loans for Head Start building (\$90,000 and \$990,000), Colorado Industrial Park infrastructure (\$2,000,000) and expansion of the City's existing business development revolving loan fund (\$1,875,000).

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

The City's overall legal ten and one-half percent debt limitation (voted and unvoted) on December 31, 2003 was \$101,760,491. The outstanding debt, after issuance of bonds subject to the ten and one-half percent limitation, is \$36,420,757. The difference of \$65,705,140 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.

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

City of Lorain, Ohio
Management's Discussion and Analysis
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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 (60 percent) of the General Fund revenues. Because of this, budgets are forecasted relying mainly on employment conditions. Unfortunately, the City has seen a dramatic downturn in employment over the past five years. The following table demonstrates the changes in employment of those major employers as of December 31, 2003. In addition, Marconi Communications has announced the elimination of an additional 240 jobs by the end of 2004. Ford Motor Company has announced the closing of its Lorain assembly plant by December 2005, thus eliminating 1,677 jobs. This plant closing will result in a significant loss of income tax revenue.

Table 7
Top Ten Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	
Community Health Partners	Health Care	2,178	2,178	2,178	2,100	1,803	
Ford Motor Company	Automobile Manufacturing	1,838	1,730	1,730	1,727	1,677	
Lorain City School District	Education	1,200	1,200	1,200	1,200	1,493	
Republic Engineered Products	Steel Manufacturing	*	2,800	1,585	1,585	1,000	1,073
City of Lorain	Government	590	572	550	534	539	
Marconi Communications	Telecommunications	1,250	1,250	380	585	537	
Lorain Tubular	Steel Manufacturing	*	0	500	500	410	
Lorain National Bank	Financial Institution	0	0	257	305	218	
Lorain County							
Communtiy Action	Education/Community	290	290	290	330	166	
P.C. Campana	Steel Mold Manufacturing	550	390	390	126	125	

* Republic Technologies/Lorain Tubular were combined as USS/Kobe Steel Company in 1999.

The December 2003 unemployment rate for the City was 9.4 percent while the unemployment rate for Lorain County was 6.6 percent and the State of Ohio was 6.2 percent.

The City ended 2003 with a \$1,672,003 cash deficit in the general fund and the budget for 2004 was passed with the intent of not reducing or increasing this deficit.

City of Lorain, Ohio
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Request for Information

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

Ronald L. Mantini, Auditor

Ron_Mantini@cityoflorain.org

or

Anita J. Harper, Chief Deputy Auditor

Anita_Harper@cityoflorain.org

City of Lorain

200 W. Erie Ave. – 6th Floor

Lorain, OH 44052-1647

Basic Financial Statements

City of Lorain, Ohio

Statement of Net Assets

December 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$14,039,376	\$4,168,234	\$18,207,610
Cash and Cash Equivalents:			
In Segregated Accounts	115,828	0	115,828
With Trustee	0	2,609,030	2,609,030
Accounts Receivable	0	2,689,218	2,689,218
Inventory Held for Resale	491,800	0	491,800
Materials and Supplies Inventory	390,514	573,335	963,849
Internal Balances	60,175	(60,175)	0
Intergovernmental Receivable	10,373,351	57,103	10,430,454
Prepaid Items	72,533	34,516	107,049
Municipal Income Taxes Receivable	2,121,972	0	2,121,972
Property and Other Taxes Receivable	5,405,970	0	5,405,970
Special Assessments Receivable	656,526	0	656,526
Loans Receivable	16,164,832	0	16,164,832
Deferred Charges	475,530	296,214	771,744
Capital Assets, Non-Depreciable	15,717,854	12,579,193	28,297,047
Capital Assets, Depreciable, Net	164,720,894	62,011,946	226,732,840
<i>Total Assets</i>	<u>230,807,155</u>	<u>84,958,614</u>	<u>315,765,769</u>
Liabilities			
Accounts Payable	902,681	225,795	1,128,476
Contracts Payable	488,634	730,257	1,218,891
Accrued Wages and Benefits	217,020	68,180	285,200
Matured Compensated Absences Payable	31,194	29,373	60,567
Intergovernmental Payable	1,572,070	425,254	1,997,324
Deferred Revenue	5,297,858	0	5,297,858
Retainage Payable	0	204,064	204,064
Accrued Interest Payable	301,057	164,982	466,039
Claims Payable	609,833	0	609,833
Long-Term Liabilities:			
Due Within One Year	6,850,262	2,841,538	9,691,800
Due In More Than One Year	36,872,672	37,970,765	74,843,437
<i>Total Liabilities</i>	<u>53,143,281</u>	<u>42,660,208</u>	<u>95,803,489</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	150,062,170	35,322,403	185,384,573
Restricted for:			
Capital Projects	10,820,008	0	10,820,008
Debt Service	603,071	0	603,071
Community Development	21,419,946	0	21,419,946
Police Levy	736,023	0	736,023
Law Enforcement	682,726	0	682,726
Municipal Court Computer	385,292	0	385,292
Replacement and Improvement	0	300,000	300,000
Utility Reserve	0	1,364,750	1,364,750
Other Purposes	1,261,914	0	1,261,914
Unrestricted (Deficit)	(8,307,276)	5,311,253	(2,996,023)
<i>Total Net Assets</i>	<u>\$177,663,874</u>	<u>\$42,298,406</u>	<u>\$219,962,280</u>

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$18,594,382	\$864,905	\$1,425,742	\$0
Security of Persons and Property	20,151,907	1,730,009	3,213,372	0
Transportation	6,704,576	0	2,106,496	4,035,632
Community Environment	770,420	48,534	266,065	0
Public Health	1,985,041	972,093	531,370	0
Leisure Time Activities	1,311,140	105,093	229,667	0
Economic Development	825,936	0	3,736,482	500,000
Intergovernmental	18,420	0	0	0
Interest and Fiscal Charges	1,817,193	0	0	0
<i>Total Governmental Activities</i>	<u>52,179,015</u>	<u>3,720,634</u>	<u>11,509,194</u>	<u>4,535,632</u>
Business-Type Activities				
Water Works	7,701,592	8,211,209	0	0
Water Pollution Control	9,694,280	7,708,227	0	0
<i>Total Business-Type Activities</i>	<u>17,395,872</u>	<u>15,919,436</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u><u>\$69,574,887</u></u>	<u><u>\$19,640,070</u></u>	<u><u>\$11,509,194</u></u>	<u><u>\$4,535,632</u></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 - Note 3

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
(\$16,303,735)	\$0	(\$16,303,735)
(15,208,526)	0	(15,208,526)
(562,448)	0	(562,448)
(455,821)	0	(455,821)
(481,578)	0	(481,578)
(976,380)	0	(976,380)
3,410,546	0	3,410,546
(18,420)	0	(18,420)
(1,817,193)	0	(1,817,193)
<u>(32,413,555)</u>	<u>0</u>	<u>(32,413,555)</u>
0	509,617	509,617
<u>0</u>	<u>(1,986,053)</u>	<u>(1,986,053)</u>
0	(1,476,436)	(1,476,436)
<u>(32,413,555)</u>	<u>(1,476,436)</u>	<u>(33,889,991)</u>
2,831,646	0	2,831,646
239,884	0	239,884
239,884	0	239,884
812,483	0	812,483
14,211,737	0	14,211,737
2,346,822	0	2,346,822
434,976	0	434,976
162,478	88,836	251,314
814,192	58,743	872,935
<u>22,094,102</u>	<u>147,579</u>	<u>22,241,681</u>
(10,319,453)	(1,328,857)	(11,648,310)
<u>187,983,327</u>	<u>43,627,263</u>	<u>231,610,590</u>
<u>\$177,663,874</u>	<u>\$42,298,406</u>	<u>\$219,962,280</u>

City of Lorain, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$0	\$2,611,645	\$371,959	\$5,018,228	\$5,716,910	\$13,718,742
Cash and Cash Equivalents						
In Segregated Accounts	115,828	0	0	0	0	115,828
Materials and Supplies Inventory	123,579	1,096	0	0	177,956	302,631
Inventory Held for Resale	0	491,800	0	0	0	491,800
Interfund Receivable	0	0	0	1,677,101	23,466	1,700,567
Intergovernmental Receivable	3,000,382	2,880,968	45,800	3,059,047	1,387,154	10,373,351
Prepaid Items	54,920	13,537	0	0	4,045	72,502
Municipal Income Taxes Receivable	1,818,833	0	0	0	303,139	2,121,972
Property and Other Taxes Receivable	3,507,433	0	1,186,583	0	711,954	5,405,970
Special Assessments Receivable	220,983	0	0	0	435,543	656,526
Loans Receivable	0	15,924,076	240,756	0	0	16,164,832
<i>Total Assets</i>	<u>\$8,841,958</u>	<u>\$21,923,122</u>	<u>\$1,845,098</u>	<u>\$9,754,376</u>	<u>\$8,760,167</u>	<u>\$51,124,721</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$164,763	\$60,060	\$6,553	\$0	\$603,617	\$834,993
Contracts Payable	0	131,002	0	317,288	40,344	488,634
Accrued Wages and Benefits	172,134	10,299	0	0	30,386	212,819
Interfund Payable	1,709,782	390	0	0	12,528	1,722,700
Intergovernmental Payable	3,906	116	0	3,651	3,456	11,129
Matured Compensated Absences Payable	12,317	0	0	0	18,877	31,194
Claims Payable	109,675	0	0	0	0	109,675
Deferred Revenue	5,811,375	2,845,639	1,473,139	2,659,984	2,305,370	15,095,507
<i>Total Liabilities</i>	<u>7,983,952</u>	<u>3,047,506</u>	<u>1,479,692</u>	<u>2,980,923</u>	<u>3,014,578</u>	<u>18,506,651</u>
Fund Balances						
Reserved for Encumbrances	102,553	407,203	0	654,363	389,965	1,554,084
Reserved for Loans	0	15,924,076	240,756	0	0	16,164,832
Reserved for Inventory Held for Resale	0	491,800	0	0	0	491,800
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	755,453	0	0	0	0	755,453
Special Revenue Funds	0	2,052,537	0	0	2,526,914	4,579,451
Debt Service Funds	0	0	124,650	0	(248)	124,402
Capital Projects Funds	0	0	0	6,119,090	2,828,958	8,948,048
<i>Total Fund Balances</i>	<u>858,006</u>	<u>18,875,616</u>	<u>365,406</u>	<u>6,773,453</u>	<u>5,745,589</u>	<u>32,618,070</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,841,958</u>	<u>\$21,923,122</u>	<u>\$1,845,098</u>	<u>\$9,754,376</u>	<u>\$8,760,167</u>	<u>\$51,124,721</u>

See accompanying notes to the basic financial statements

City of Lorain, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003*

Total Governmental Fund Balances	\$32,618,070
 <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.	180,438,748
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Special Assessments	656,526
Delinquent Property Taxes	422,268
Intergovernmental	8,408,602
Municipal Income Taxes	<u>310,253</u>
Total	9,797,649
Bond issuance costs will be amortized over the life of the bonds on the statement of net assets	475,530
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	(268,123)
Internal Balances	<u>56,306</u>
Total	(211,817)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due	(301,057)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(1,535,746)
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	(25,967,169)
Special Assessment Bonds	(1,012,831)
HUD Section 108 Loans	(4,955,000)
OPWC Loans	(1,855,801)
Installment Loans	(17,787)
Notes Payable	(3,625,000)
Compensated Absences	(5,572,574)
Capital Leases	(592,394)
Bond Premium	<u>(18,947)</u>
Total	<u>(43,617,503)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$177,663,874</u></u>

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, 2003

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Taxes	\$2,614,951	\$0	\$813,378	\$0	\$480,268	\$3,908,597
Municipal Income Taxes	14,207,529	0	0	0	2,346,121	16,553,650
Charges for Services	502,682	0	0	0	745,071	1,247,753
Licenses and Permits	585,342	0	0	0	200,518	785,860
Fines and Forfeitures	1,177,768	0	0	0	480,696	1,658,464
Intergovernmental	4,951,344	2,995,370	116,568	1,375,648	2,665,965	12,104,895
Special Assessments	0	0	0	0	174,799	174,799
Interest	1,159	25,911	97,152	3,630	34,626	162,478
Miscellaneous	115,314	575,871	11,771	79,538	31,698	814,192
<i>Total Revenues</i>	<u>24,156,089</u>	<u>3,597,152</u>	<u>1,038,869</u>	<u>1,458,816</u>	<u>7,159,762</u>	<u>37,410,688</u>
Expenditures						
Current:						
General Government	6,641,630	0	16,336	0	114,826	6,772,792
Security of Persons and Property	14,621,542	0	0	0	2,129,427	16,750,969
Transportation	0	0	0	0	2,578,166	2,578,166
Public Health	275,899	0	0	0	1,435,441	1,711,340
Community Environment	499,371	0	0	0	154,314	653,685
Economic Development	0	24,835	0	0	0	24,835
Leisure Time Activities	1,090,889	0	0	0	0	1,090,889
Intergovernmental	18,420	0	0	0	0	18,420
Capital Outlay	0	0	0	3,292,667	2,084,252	5,376,919
Debt Service:						
Principal Retirement	19,982	414,393	5,822,731	0	1,848,486	8,105,592
Interest and Fiscal Charges	1,451	363,115	1,060,057	16,686	370,321	1,811,630
Bond Issuance Costs	0	0	115,890	0	359,640	475,530
<i>Total Expenditures</i>	<u>23,169,184</u>	<u>802,343</u>	<u>7,015,014</u>	<u>3,309,353</u>	<u>11,074,873</u>	<u>45,370,767</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>986,905</u>	<u>2,794,809</u>	<u>(5,976,145)</u>	<u>(1,850,537)</u>	<u>(3,915,111)</u>	<u>(7,960,079)</u>
Other Financing Sources (Uses)						
Bonds Issued	0	0	1,200,500	0	5,044,500	6,245,000
Notes Issued	0	0	3,675,000	650,000	620,000	4,945,000
Loans Received	0	0	0	603,346	0	603,346
Premium on Debt Issuance	0	0	883	0	18,064	18,947
Transfers In	15,000	113,000	1,345,399	197,689	1,048,437	2,719,525
Transfers Out	(1,708,774)	0	0	(38,000)	(972,751)	(2,719,525)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,693,774)</u>	<u>113,000</u>	<u>6,221,782</u>	<u>1,413,035</u>	<u>5,758,250</u>	<u>11,812,293</u>
<i>Net Change in Fund Balances</i>	<u>(706,869)</u>	<u>2,907,809</u>	<u>245,637</u>	<u>(437,502)</u>	<u>1,843,139</u>	<u>3,852,214</u>
<i>Fund Balances Beginning of Year</i>						
- Restated (Note 3)	<u>1,564,875</u>	<u>15,967,807</u>	<u>119,769</u>	<u>7,210,955</u>	<u>3,902,450</u>	<u>28,765,856</u>
<i>Fund Balances End of Year</i>	<u>\$858,006</u>	<u>\$18,875,616</u>	<u>\$365,406</u>	<u>\$6,773,453</u>	<u>\$5,745,589</u>	<u>\$32,618,070</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, 2003*

Net Change in Fund Balances - Total Governmental Funds \$3,852,214

*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	4,396,581	
Current Year Depreciation	<u>(19,118,964)</u>	
Total		(14,722,383)

In the statement of activities, a gain or loss is reported for each disposal of capital assets (96,611)

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

Delinquent Property Taxes	215,300	
Intergovernmental	4,374,907	
Municipal Income Taxes	4,909	
Special Assessments	<u>(146,242)</u>	
Total		4,448,874

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	(6,245,000)	
Bond Premium	(18,947)	
Notes Issued	(4,945,000)	
Loans Issued	<u>(603,346)</u>	
Total		(11,812,293)

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 8,104,926

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due 5,563

Bond issuance costs are recognized as deferred charges and will be amortized over the life of the bonds on the statement of activities 475,530

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	(207,493)	
Pension Obligation	<u>(645,875)</u>	
Total		(853,368)

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	237,763	
Compensated Absences	(7,163)	
Intergovernmental Payable	(2,435)	
Internal Balance	<u>49,930</u>	
Total		<u>278,095</u>

Change in Net Assets of Governmental Activities (\$10,319,453)

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$2,835,276	\$2,661,265	\$2,614,951	(\$46,314)
Municipal Income Taxes	14,567,772	14,654,420	14,655,622	1,202
Charges for Services	553,100	532,383	502,682	(29,701)
Licenses, Permits and Fees	949,600	711,309	639,958	(71,351)
Fines, Fees, and Permits	1,004,500	949,299	1,085,339	136,040
Intergovernmental	4,647,019	5,354,779	5,255,835	(98,944)
Interest	5,000	5,000	1,492	(3,508)
Miscellaneous	128,550	112,347	115,314	2,967
<i>Total Revenues</i>	<u>24,690,817</u>	<u>24,980,802</u>	<u>24,871,193</u>	<u>(109,609)</u>
Expenditures:				
Current:				
General Government	6,759,382	6,387,502	6,944,080	(556,578)
Security of Persons and Property	14,294,502	14,495,635	14,940,555	(444,920)
Public Health	277,952	280,452	278,430	2,022
Community Environment	560,617	526,617	514,203	12,414
Leisure Time Activities	966,708	996,708	1,109,801	(113,093)
Intergovernmental	18,420	18,420	18,420	0
Debt Service:				
Principal Retirement	20,153	20,153	19,982	171
Interest and Fiscal Charges	1,451	1,451	1,451	0
<i>Total Expenditures</i>	<u>22,899,185</u>	<u>22,726,938</u>	<u>23,826,922</u>	<u>(1,099,984)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,791,632</u>	<u>2,253,864</u>	<u>1,044,271</u>	<u>(1,209,593)</u>
Other Financing Sources (Uses):				
Advances In	0	0	76,965	76,965
Transfers In	278,900	54,000	15,000	(39,000)
Transfers Out	0	(465,266)	(1,708,774)	(1,243,508)
<i>Total Other Financing Sources (Uses)</i>	<u>278,900</u>	<u>(411,266)</u>	<u>(1,616,809)</u>	<u>(1,205,543)</u>
<i>Net Change in Fund Balance</i>	2,070,532	1,842,598	(572,538)	(2,415,136)
<i>Fund Balance (Deficit) Beginning of Year</i>	(1,665,101)	(1,665,101)	(1,665,101)	0
Prior Year Encumbrances Appropriated	78,805	78,805	78,805	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$484,236</u>	<u>\$256,302</u>	<u>(\$2,158,834)</u>	<u>(\$2,415,136)</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Intergovernmental	\$6,115,048	\$6,710,322	\$4,521,682	(\$2,188,640)
Interest	21,420	21,420	27,106	5,686
Miscellaneous	551,000	616,355	575,871	(40,484)
<i>Total Revenues</i>	<u>6,687,468</u>	<u>7,348,097</u>	<u>5,124,659</u>	<u>(2,223,438)</u>
Expenditures:				
Current:				
Economic Development	8,602,040	9,653,240	5,546,925	4,106,315
Debt Service:				
Principal Retirement	444,737	444,737	414,393	30,344
Interest and Fiscal Charges	421,588	422,888	363,115	59,773
<i>Total Debt Service</i>	<u>866,325</u>	<u>867,625</u>	<u>777,508</u>	<u>90,117</u>
<i>Total Expenditures</i>	<u>9,468,365</u>	<u>10,520,865</u>	<u>6,324,433</u>	<u>4,196,432</u>
<i>Excess of Revenues Under Expenditures</i>	(2,780,897)	(3,172,768)	(1,199,774)	1,972,994
Other Financing Sources:				
Transfers In	113,000	113,000	113,000	0
<i>Net Change in Fund Balance</i>	(2,667,897)	(3,059,768)	(1,086,774)	1,972,994
<i>Fund Balance Beginning of Year</i>	2,138,992	2,138,992	2,138,992	0
Prior Year Encumbrances Appropriated	1,094,197	1,094,197	1,094,197	0
<i>Fund Balance End of Year</i>	<u>\$565,292</u>	<u>\$173,421</u>	<u>\$2,146,415</u>	<u>\$1,972,994</u>

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
Assets				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$45,372	\$2,458,112	\$2,503,484	\$320,634
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	513,531	571,041	1,084,572	0
Materials and Supplies Inventory	404,467	168,868	573,335	87,883
Accounts Receivable	1,338,020	1,351,198	2,689,218	0
Interfund Receivable	1,723	1,087	2,810	26,002
Intergovernmental Receivable	0	57,103	57,103	0
Prepaid Items	29,513	5,003	34,516	31
<i>Total Current Assets</i>	<u>2,332,626</u>	<u>4,612,412</u>	<u>6,945,038</u>	<u>434,550</u>
<i>Noncurrent Assets</i>				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	11,229	568,949	580,178	0
Cash and Cash Equivalents With Trustee	1,209,385	1,399,645	2,609,030	0
Unamortized Bond Issuance Costs	172,181	124,033	296,214	0
Non-Depreciable Assets	3,705,965	8,873,228	12,579,193	0
Depreciable Assets, Net	20,979,086	41,032,860	62,011,946	0
<i>Total Noncurrent Assets</i>	<u>26,077,846</u>	<u>51,998,715</u>	<u>78,076,561</u>	<u>0</u>
<i>Total Assets</i>	<u>28,410,472</u>	<u>56,611,127</u>	<u>85,021,599</u>	<u>434,550</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	80,040	145,755	225,795	67,688
Contracts Payable	1,800	728,457	730,257	0
Accrued Wages and Benefits	31,667	36,513	68,180	4,201
Intergovernmental Payable	203,879	221,375	425,254	25,195
Matured Compensated Absences Payable	28,987	386	29,373	0
Accrued Interest Payable	8,195	2,215	10,410	0
Retainage Payable	126,693	77,371	204,064	0
Interfund Payable	3,715	2,964	6,679	0
Claims Payable	0	0	0	500,158
Capital Leases Payable	0	12,385	12,385	0
Compensated Absences Payable	61,847	123,331	185,178	32,418
Bonds Payable - Current	210,000	125,000	335,000	0
OWDA Loans - Current	613,954	765,021	1,378,975	0
<i>Total Current Liabilities</i>	<u>1,370,777</u>	<u>2,240,773</u>	<u>3,611,550</u>	<u>629,660</u>
<i>Current Liabilities Payable from Restricted Assets</i>				
Revenue Bonds Payable	420,000	510,000	930,000	0
Accrued Interest Payable	93,531	61,041	154,572	0
<i>Total Current Liabilities Payable from Restricted Assets</i>	<u>513,531</u>	<u>571,041</u>	<u>1,084,572</u>	<u>0</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>				
Capital Leases Payable	0	132,395	132,395	0
Compensated Absences Payable	514,807	547,368	1,062,175	73,013
Bonds Payable	8,441,444	4,058,747	12,500,191	0
OWDA Loans	9,796,332	14,479,672	24,276,004	0
<i>Total Long-Term Liabilities</i>	<u>18,752,583</u>	<u>19,218,182</u>	<u>37,970,765</u>	<u>73,013</u>
<i>Total Liabilities</i>	<u>20,636,891</u>	<u>22,029,996</u>	<u>42,666,887</u>	<u>702,673</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,375,502	29,946,901	35,322,403	0
Restricted For:				
Replacement and Improvement	150,000	150,000	300,000	0
Utility Reserve	374,760	989,990	1,364,750	0
Unrestricted (Deficit)	1,873,319	3,494,240	5,367,559	(268,123)
<i>Total Net Assets</i>	<u>\$7,773,581</u>	<u>\$34,581,131</u>	<u>42,354,712</u>	<u>(\$268,123)</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 (56,306)

Net assets business-type activities \$42,298,406

See accompanying notes to the basic financial statements

City of Lorain, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003*

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water Works</u>	<u>Water Pollution Control</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating Revenues				
Charges for Services	\$7,417,087	\$6,954,062	\$14,371,149	\$5,186,857
Water/Sewer Charges Pledged as Security for Revenue Bonds	794,122	754,165	1,548,287	0
Miscellaneous	38,715	20,028	58,743	20,510
<i>Total Operating Revenues</i>	<u>8,249,924</u>	<u>7,728,255</u>	<u>15,978,179</u>	<u>5,207,367</u>
Operating Expenses				
Personal Services	4,208,593	4,299,561	8,508,154	478,077
Materials and Supplies	756,222	291,871	1,048,093	551,128
Contractual Services	493,512	1,950,309	2,443,821	48,169
Claims	0	0	0	3,888,989
Basic Utilities	618,932	713,804	1,332,736	0
Other Operating Expenses	88,485	144,105	232,590	2,032
Depreciation	644,897	1,351,414	1,996,311	201
<i>Total Operating Expenses</i>	<u>6,810,641</u>	<u>8,751,064</u>	<u>15,561,705</u>	<u>4,968,596</u>
<i>Operating Income (Loss)</i>	<u>1,439,283</u>	<u>(1,022,809)</u>	<u>416,474</u>	<u>238,771</u>
Non Operating Revenues (Expenses)				
Loss on Sale of Capital Assets	0	0	0	(1,413)
Interest	43,227	45,609	88,836	405
Interest and Fiscal Charges	(914,917)	(969,180)	(1,884,097)	0
<i>Total Non Operating Revenues (Expenses)</i>	<u>(871,690)</u>	<u>(923,571)</u>	<u>(1,795,261)</u>	<u>(1,008)</u>
<i>Change in Net Assets</i>	567,593	(1,946,380)	(1,378,787)	237,763
<i>Net Assets (Deficit) Beginning of Year - Restated (Note 3)</i>	<u>7,205,988</u>	<u>36,527,511</u>		<u>(505,886)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$7,773,581</u>	<u>\$34,581,131</u>		<u>(\$268,123)</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 49,930

Change in net assets business-type activities (\$1,328,857)

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Transactions with Other Funds	\$0	\$0	\$0	\$5,189,617
Cash Received from Customers	8,065,415	7,538,519	15,603,934	0
Cash Payments for Goods and Services	(1,809,867)	(2,785,779)	(4,595,646)	(537,650)
Cash Payments for Employee Services and Benefits	(3,980,434)	(4,309,519)	(8,289,953)	(464,183)
Cash Payments for Claims	0	0	0	(3,607,211)
Other Cash Payments	0	0	0	(232)
Other Operating Revenues	38,715	20,028	58,743	20,510
<i>Net Cash Provided by Operating Activities</i>	<u>2,313,829</u>	<u>463,249</u>	<u>2,777,078</u>	<u>600,851</u>
Cash Flows from Noncapital Financing Activities				
Advances In	0	84,882	84,882	0
Advances Out	0	0	0	(311,921)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>0</u>	<u>84,882</u>	<u>84,882</u>	<u>(311,921)</u>
Cash Flows from Capital and Related Financing Activities				
Principal Paid on Bonds	(605,000)	(605,000)	(1,210,000)	0
Interest Paid on Bonds	(508,627)	(308,492)	(817,119)	0
Principal Paid on OWDA Loans	(558,392)	(735,465)	(1,293,857)	0
Interest Paid on OWDA Loans	(393,056)	(587,487)	(980,543)	0
Principal Paid on Capital Lease	0	(11,781)	(11,781)	0
Interest Paid on Capital Leases	0	(8,031)	(8,031)	0
Proceeds of OWDA Loans	3,080,489	21,369	3,101,858	0
Purchase of Capital Assets	(3,289,310)	(2,964,678)	(6,253,988)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,273,896)</u>	<u>(5,199,565)</u>	<u>(7,473,461)</u>	<u>0</u>
Cash Flows from Investing Activities				
Interest	43,227	45,377	88,604	405
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	83,160	(4,606,057)	(4,522,897)	289,335
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,696,357</u>	<u>9,603,804</u>	<u>11,300,161</u>	<u>31,299</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,779,517</u>	<u>\$4,997,747</u>	<u>\$6,777,264</u>	<u>\$320,634</u>

See accompanying notes to the basic financial statements

(continued)

City of Lorain, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2003

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Operating Income (Loss)	\$1,439,283	(\$1,022,809)	\$416,474	\$238,771
Adjustments				
Depreciation	644,897	1,351,414	1,996,311	201
(Increase) Decrease in Assets:				
Accounts Receivable	(146,188)	(147,627)	(293,815)	0
Interfund Receivables	394	611	1,005	2,760
Intergovernmental Receivable	0	(22,471)	(22,471)	0
Materials Inventory	200,210	(4,620)	195,590	12,451
Prepaid Items	(6,873)	(1,592)	(8,465)	(31)
Increase (Decrease) in Liabilities:				
Accounts Payable	(163,050)	(34,435)	(197,485)	51,027
Contracts Payable	(6,237)	565,253	559,016	0
Accrued Wages	(4,320)	2,540	(1,780)	2,162
Claims Payable	0	0	0	281,778
Compensated Absences Payable	213,500	(49,362)	164,138	7,163
Interfund Payable	(3,608)	(1,943)	(5,551)	0
Intergovernmental Payable	19,128	37,809	56,937	4,569
Retainage Payable	126,693	(209,519)	(82,826)	0
<i>Total Adjustments</i>	874,546	1,486,058	2,360,604	362,080
<i>Net Cash Provided By Operating Activities</i>	<u>\$2,313,829</u>	<u>\$463,249</u>	<u>\$2,777,078</u>	<u>\$600,851</u>

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$306,917</u></u>
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Liabilities

Deposits Held and Due to Others	<u><u>\$306,917</u></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, 2003*

Note 1 – Description of City and Reporting Entity

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

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

Reporting Entity

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

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

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

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

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements 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.

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

City of Lorain, Ohio

Notes to The Basic Financial Statements For The Year Ended December 31, 2003

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 Improvement 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 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

City of Lorain, Ohio

Notes to The Basic Financial Statements For The Year Ended December 31, 2003

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.

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

City of Lorain, Ohio

Notes to The Basic Financial Statements For The Year Ended December 31, 2003

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, 2003, but which were levied to finance year 2004 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 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

City of Lorain, Ohio

Notes to The Basic Financial Statements For The Year Ended December 31, 2003

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 general fund made an advance to the fire pension fund to eliminate the funds' negative cash balances. The fire pension fund has an interfund payable for the amount of the advance received from the general fund and the general fund has an interfund receivable for the same amount on the balance sheet.

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

The City has segregated bank accounts for monies held separate from the City's bank accounts. These interest-bearing deposit accounts are presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. The cash of the Municipal Court is included in this line item. The City utilizes a financial institution to service bonded debt as principal and interest come due. The balances of these accounts are presented on the combined balance sheet as restricted assets: "cash and cash equivalents with trustees" and represent deposits or short-term investments in a mutual fund.

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

During 2003, investments were limited to repurchase agreements, mutual funds and STAROhio. Investments are reported at fair value, which is based on quoted market prices, with the exception of repurchase agreements, which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2003.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$1,159, which was assigned from other City funds.

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Unamortized Bond Issuance Costs

Bond issuance costs are deferred and amortized over the term of the bonds using the straight line method since the results are not significantly different from the effective interest method.

J. Restricted Assets

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

K. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

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

For 2003, the City's infrastructure consists of streets, sidewalks, water and sewer lines. The City plans to phase in the remaining infrastructure assets consisting of storm sewers and bridges in future years.

L. Interfund Balances

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

M. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore, are not available for appropriation or expenditure. Reserves have been established for encumbrances and loans receivable which represent revolving loan fund monies (community development block grant) loaned to local businesses.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include the activities for the operations of health services, litter control, indigent drivers alcohol treatment, park land acquisition trust, cemetery perpetual care, legal research and court security programs.

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

Q. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions of events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

T. Estimates

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

Note 3 - Changes in Accounting Principles and Restatement of Prior Year Fund Equity

A. Changes in Accounting Principles

For 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting and a correction for an overstatement of an advance.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Fund Balance/Equity

The new standards for reporting fund obligations for compensated absences in Interpretation 6 and the implementation of GASB 34 caused changes in previously reported fund balances. These restatements had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Nonmajor	Total
Fund Balances, December 31, 2002	\$1,306,501	\$15,481,789	\$119,769	\$3,638,798	\$3,852,623	\$24,399,480
Fund Reclassification	0	472,803	0	0	0	472,803
Interpretation 6:						
Compensated Absences Payable	258,374	13,215	0	0	49,827	321,416
Overstatement of Notes Payable	0	0	0	3,489,000	0	3,489,000
Overstatement of Advance	0	0	0	83,157	0	83,157
Restated Fund Balances, December 31, 2002	<u>\$1,564,875</u>	<u>\$15,967,807</u>	<u>\$119,769</u>	<u>\$7,210,955</u>	<u>\$3,902,450</u>	28,765,856
GASB 34 Adjustments:						
Capital Assets						195,257,742
Long-Term (Deferred) Assets						5,348,775
Long-Term Liabilities						(39,804,031)
Internal Service Fund						(505,886)
Pension Obligations						(889,871)
Accrued Interest Payable						(295,494)
Internal Balance						<u>106,236</u>
Governmental Activities Net Assets, December 31, 2002						<u>\$187,983,327</u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

The fund equity as it was previously reported in the business-type activities funds has been restated due to the changes related to change for compensated absences, an overstatement to accrued interest payable and the overstatement of the advance as mentioned above that should have been reported in governmental funds.

	Water Works	Water Pollution Control	Business Type Activities
Fund Equity, December 31, 2002	\$6,986,930	\$36,525,007	\$43,511,937
Restatements:			
Compensated Absences	299,999	0	299,999
Accrued Interest Payable	2,216	2,504	4,720
Advance	(83,157)	0	(83,157)
Restated Fund Equity, December 31, 2002	\$7,205,988	\$36,527,511	43,733,499
Internal Balance			(106,236)
Net Assets, December 31, 2002			\$43,627,263

Note 4 – Fund Deficits and Legal Compliance

A. Fund Deficits

Fund balances at December 31, 2003 included the following individual fund balance deficits:

Nonmajor funds	Deficit
Special Revenue Funds:	
Police Pension	\$189,031
Fire Pension	260,868
Debt Service Fund:	
Special Assessment Bond Retirement	248
Internal Service Fund:	
Hospitalization	277,707

The deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

B. Legal Compliance

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

<u>Major Funds:</u>	<u>Final Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund:			
Judges			
Wages and Benefits	\$600,924	\$603,436	(\$2,512)
Safety/Service Director			
Wages and Benefits	494,089	496,110	(2,021)
Contractual Services	544,995	1,209,219	(664,224)
Data Processing			
Wages and Benefits	126,355	126,550	(195)
Police Department			
Wages and Benefits	7,086,347	7,535,627	(449,280)
Fire Department			
Wages and Benefits	6,247,287	6,456,414	(209,127)
Cemetery			
Wages and Benefits	172,549	173,764	(1,215)
Parks and Recreation			
Wages and Benefits	751,143	861,900	(110,757)
Contractual Services	91,256	93,445	(2,189)
Materials and Supplies	144,609	145,150	(541)
Other Financing Uses			
Transfers Out	465,266	1,708,774	(1,243,508)
Water Works			
Personal Services	3,960,573	3,976,475	(15,902)
Utilities	587,300	594,901	(7,601)
Water Pollution Control			
Utilities	659,750	662,012	(2,262)
Nonmajor Funds:			
Street			
Wages and Benefits	1,274,203	1,284,805	(10,602)
Health Services			
Contractual Services	175,099	177,119	(2,020)

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.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

The City had a negative cash balance in the following funds 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	\$1,672,003
Nonmajor Fund:	
Special Revenue Fund:	
Fire Pension	5,098

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.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Net Change in Fund Balance

	General	Community Development
GAAP Basis	(\$706,869)	\$2,907,809
Net Adjustment for Revenue Accruals	715,104	264,687
Loan Repayments	0	1,262,820
Advances In	76,965	0
Net Adjustment for Expenditure Accruals	(533,987)	129,740
Loans Issued	0	(5,195,644)
Encumbrances	(123,751)	(456,186)
Budget Basis	(\$572,538)	(\$1,086,774)

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.

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

City of Lorain, Ohio

Notes to The Basic Financial Statements For The Year Ended December 31, 2003

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year-end, the carrying amount of the City's deposits was \$13,917,487 and the bank balance was \$15,676,283. Of the bank balance:

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

1. \$300,000 was covered by federal depository insurance; and
2. \$15,376,283 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Fair and Carrying Value
Money Market Fund	\$3,301,479
STAROhio	4,020,419
Total Investments	\$7,321,898

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$21,239,385	\$0
Investments:		
Money Market Fund	(3,301,479)	3,301,479
STAROhio	(4,020,419)	4,020,419
GASB Statement No. 3	\$13,917,487	\$7,321,898

Note 7 - Receivables

Receivables at December 31, 2003 consist primarily of municipal income taxes, property and other taxes, accounts (billings for utility services), special assessments, accrued interest on investments, community development loans to businesses and property owners, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full. Special assessments due in more than one year are \$422,359 and delinquent special assessments outstanding are \$31,412.

The City's community development loans receivable from businesses and property owners contain certain

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

amounts for which the repayment, due to bankruptcies and/or defaults, has been estimated. The loans receivable balance of \$15,924,076 on the basic financial statements is stated net of estimated uncollectibles of \$1,232,045, with \$1,761,325 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, 2003 the fund has recorded a loan receivable balance of \$240,756 as a result of this transaction, with \$21,060 collectible in one year.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes, which became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2003, was \$4.96 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$790,306,870
Public Utility Property	79,467,680
Tangible Personal Property	<u>99,372,980</u>
Total Valuation	<u><u>\$969,147,530</u></u>

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers

City of Lorain, Ohio

Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lorain. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2003 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 2003 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 the remainder of the receivable is deferred.

B. Income Taxes

The City levies a municipal income tax of one and three-quarter percent on substantially all earned income arising from employment, residency or business activities within the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds are credited to the general fund (one and one-half percent) and to the police levy fund (one-quarter percent).

C. Intergovernmental Receivables

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

	<u>Amount</u>
Grants	\$6,739,426
Local Government	2,417,992
Motor Vehicle Tax	400,476
Gasoline Tax	326,015
Homestead and Rollback	210,900
Estate Tax	209,055
Utility Charges	57,103
Charges for Services	36,576
Permissive Tax	19,747
Liquor and Beer Tax	12,819
Other Taxes	<u>345</u>
Total	<u>\$10,430,454</u>

Note 8 - Capital Assets

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance 12/31/02	Additions	Deletions	Balance 12/31/03
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$7,148,077	\$0	\$0	\$7,148,077
Construction in Progress	4,991,924	3,976,298	(398,445)	8,569,777
<i>Total Capital Assets, Not Being Depreciated</i>	<u>12,140,001</u>	<u>3,976,298</u>	<u>(398,445)</u>	<u>15,717,854</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	13,484,959	284,230	0	13,769,189
Machinery and Equipment	12,090,890	319,061	(186,978)	12,222,973
Furniture and Fixtures	89,268	0	0	89,268
Infrastructure:				
Streets and Sidewalks	987,559,326	215,437	0	987,774,763
<i>Total Capital Assets, Being Depreciated</i>	<u>1,013,224,443</u>	<u>818,728</u>	<u>(186,978)</u>	<u>1,013,856,193</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(4,747,169)	(333,892)	0	(5,081,061)
Machinery and Equipment	(4,044,786)	(639,148)	90,367	(4,593,567)
Furniture and Fixtures	(26,111)	(4,465)	0	(30,576)
Infrastructure:				
Streets and Sidewalks	(821,288,636)	(18,141,459)	0	(839,430,095)
<i>Total Accumulated Depreciation</i>	<u>(830,106,702)</u>	<u>(19,118,964)</u>	<u>90,367</u>	<u>(849,135,299)</u>
Total Capital Assets, Being Depreciated, Net	<u>183,117,741</u>	<u>(18,300,236)</u>	<u>(96,611)</u>	<u>164,720,894</u>
Governmental Activities Capital Assets, Net	<u>\$195,257,742</u>	<u>(\$14,323,938)</u>	<u>(\$495,056)</u>	<u>\$180,438,748</u>

City of Lorain, Ohio

*Notes to The Basic Financial Statements
For The Year Ended December 31, 2003*

	Balance 12/31/02	Additions	Deletions	Balance 12/31/03
Business-type Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$465,376	\$152,500	\$0	\$617,876
Construction in Progress	19,404,254	5,751,898	(13,194,835)	11,961,317
<i>Total Capital Assets, Not Being Depreciated</i>	19,869,630	5,904,398	(13,194,835)	12,579,193
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	43,708,815	182,289	0	43,891,104
Machinery and Equipment	18,751,986	523,321	(191,790)	19,083,517
Infrastructure:				
Water Lines	19,086,558	2,663,224	0	21,749,782
Sewer Lines	39,178,344	10,176,676	0	49,355,020
<i>Total Capital Assets, Being Depreciated</i>	120,725,703	13,545,510	(191,790)	134,079,423
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(20,369,798)	(793,766)	0	(21,163,564)
Machinery and Equipment	(16,801,113)	(129,099)	189,292	(16,740,920)
Infrastructure:				
Water Lines	(8,898,632)	(327,712)	0	(9,226,344)
Sewer Lines	(24,190,714)	(745,935)	0	(24,936,649)
<i>Total Accumulated Depreciation</i>	(70,260,257)	(1,996,512)	189,292	(72,067,477)
Total Capital Assets, Being Depreciated, Net	50,465,446	11,548,998	(2,498)	62,011,946
Business-type Activities Capital Assets, Net	\$70,335,076	\$17,453,396	(\$13,197,333)	\$74,591,139

* Depreciation expense was charged to governmental functions as follows:

General Government	\$4,463,935
Security of Persons and Property	2,258,974
Transportation	11,088,344
Public Health	218,154
Community Environment	78,767
Economic Development	645,266
Leisure Time Activities	365,524
Total Depreciation Expense	\$19,118,964

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City does not carry general liability insurance. The City's policy for general liability claims is to bear the cost of these claims. The City accrues general liability claims in the General fund. The accrual is based on claims paid in each of the previous three years. During 2003, the City contracted with several companies for other types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Limits of Coverage</u>
Arthur J. Gallagher and Company	Automobile Liability and Property Damage	\$5,000,000
	Law Enforcement Liability	5,000,000
	Public Officials Liability	5,000,000
	General Liability	5,000,000
	Commercial Property Bolier/Machinery Coverage	50,000,000
	Property and Contents City Buildings	108,000,000

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.

Workers compensation is provided by the State of Ohio. 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.

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 2003 were \$682.00 per month for single and family coverage. Employees covered under separate ordinances for non-bargaining, management and elected officials paid \$136.72 for family coverage and \$51.46 for single coverage per month. Bargaining unit employees were 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 \$2,719,730 per year. One individual exceeded the \$100,000 specific threshold, with a total of \$123,325. The City received an invoice credit for the excess \$23,325. The aggregate was not exceeded.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

The claims liability of \$500,158 reported in the fund at December 31, 2003 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 2002 and 2003 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$445,428	\$3,656,347	\$3,883,395	\$218,380
2003	218,380	3,888,989	3,607,211	500,158

Note 10 – Outstanding Debt

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
1984 Various Improvements	10.75 %	\$475,000	December 1, 2005
1984 Fire Station Improvements	10.75	630,000	December 1, 2004
1984 Real Estate Acquisition	10.75	635,000	December 1, 2005
1984 Real Estate Acquisition	10.75	715,000	December 1, 2005
1984 Storm Sewer	10.75	1,340,000	December 1, 2005
1988 Street Improvement (G.O. Portion)	7.50	255,563	December 1, 2008
1989 Various Purposes Improvement	6.50-7.875	2,000,000	December 1, 2009
1995 Various Purposes - (G.O. Portion)	3.90-5.65	3,259,890	December 1, 2015
1998 Capital Purposes	3.80-5.00	3,680,000	December 1, 2018
1999 Accrued Pension Fund Liability	3.50-5.375	2,070,000	December 1, 2024
2000 Riverfront Urban Renewal Phase I	4.55-5.70	4,850,000	December 1, 2028
2002 Safety/Service Action Plan	3.00-5.50	8,905,000	December 1, 2026
2003 Riverfront Urban Renewal Phase II & III	2.40-4.75	4,470,000	December 1, 1932
2003 Park and Street Improvements (G.O. Portion)	2.00-5.00	1,200,500	December 1, 2023
<i>Special Assessment Bonds:</i>			
1983 Street Improvement	10.25	1,135,756	December 1, 2004
1988 Street Improvement	7.50	1,469,437	December 1, 2008
2003 Park and Street Improvements	2.00-5.00	574,500	December 1, 2023
<i>HUD Section 108 Loans:</i>			
Community Development - Series 2002-A (B-92-MC-39-0016)	4.64-7.90	100,000	August 1, 2012
Head Start - Series 2002-A (B-92-MC-39-0016-A)	4.64-7.90	1,100,000	August 1, 2012
Head Start - Series 2000-A (B-99-MC-0016)	7.50-8.00	2,375,000	August 1, 2019
Colorado Industrial Park - Series 2002-A (B-99-MC-0016)	4.40-6.00	2,000,000	August 1, 2021

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Long-Term Notes</i>			
Real Estate Acquisition and Street Improvement	2.75 %	\$3,625,000	April 1, 2004
Various Purpose	3.00-3.50	4,500,000	April 3, 2003
Street Improvements	3.00	309,000	October 14, 2003
Real Estate Acquisition and Street Improvement	1.85	1,320,000	October 14, 2003
<i>Ohio Public Works Commission Loans:</i>			
Hydrants and Valves (#CI407)	0.00	127,050	July 1, 2004
1997 Local Roadway Rehab (#CI04A)	0.00	18,040	January 1, 2014
1999 Local Roadway Rehab (#CI13C)	0.00	17,409	July 1, 2011
Oak Point Road Improvements (#CI002)	0.00	405,776	January 1, 2021
Longbrook Bridge Replacement (#CI01D)	0.00	250,000	July 1, 2021
California Avenue (#CI31D)	0.00	483,645	January 1, 2022
Jaeger Road (#CI22F)	0.00	259,191	January 1, 2013
2002 Local Roadway Rehab (#CI48G)	0.00	201,469	July 1, 2014
Fulmer/Meister Road Improvements (#CI48G)	0.00	390,685	July 1, 2014
<i>Installment Loans:</i>			
AS 400 Mainframe Computer	4.09	49,999	December 1, 2004
AS 400 Operating System	6.50	5,684	December 1, 2004
<i>Enterprise General Obligation Bonds:</i>			
1984 Water Various Purpose	10.75	2,000,000	December 1, 2005
1984 Sewer Various Purpose	10.75	2,500,000	December 1, 2005
1995 Various Purpose - (Water Fund portion)	3.90-5.65	2,405,110	December 1, 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	April 1, 2011
1994 Administration Building (#2955)	6.64	2,390,298	January 1, 2005
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	3,080,489	July 1, 2034

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Changes in bonds and other long-term obligations of the City during 2003 were as follows:

	Principal Outstanding 12/31/02	Additions	Deletions	Principal Outstanding 12/31/03	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
Various Improvements	\$50,000	\$0	\$25,000	\$25,000	\$25,000
Fire Station Improvements	105,000	0	35,000	70,000	35,000
Real Estate Acquisition	105,000	0	35,000	70,000	35,000
Real Estate Acquisition	120,000	0	40,000	80,000	40,000
Storm Sewer	210,000	0	70,000	140,000	70,000
Street Improvement	79,262	0	12,593	66,669	13,334
Various Purpose Improvements	700,000	0	100,000	600,000	100,000
Various Purposes	2,110,000	0	165,000	1,945,000	145,000
Capital Purposes	2,420,000	0	350,000	2,070,000	275,000
Accrued Pension Fund Liability	1,895,000	0	50,000	1,845,000	50,000
Riverfront Urban Renewal Phase I	4,850,000	0	95,000	4,755,000	100,000
Safety/Service Action Plan	8,775,000	0	145,000	8,630,000	300,000
Riverfront Urban Renewal Phase II & III	0	4,470,000	0	4,470,000	0
Park and Street Improvements	0	1,200,500	0	1,200,500	43,962
Unamortized Premium	0	18,947	0	18,947	0
<i>Total General Obligation Bonds</i>	<u>21,419,262</u>	<u>5,689,447</u>	<u>1,122,593</u>	<u>25,986,116</u>	<u>1,232,296</u>
<i>Special Assessment Bonds:</i>					
Street Improvement	110,000	0	55,000	55,000	55,000
Street Improvement	455,738	0	72,407	383,331	76,666
Park and Street Improvements	0	574,500	0	574,500	21,038
<i>Total Special Assessment Bonds</i>	<u>565,738</u>	<u>574,500</u>	<u>127,407</u>	<u>1,012,831</u>	<u>152,704</u>
<i>HUD Section 108 Loans</i>					
Community Development	2,000,000	0	125,000	1,875,000	125,000
Head Start	100,000	0	10,000	90,000	10,000
Head Start	1,100,000	0	110,000	990,000	110,000
Colorado Instrustrial Park	2,125,000	0	125,000	2,000,000	125,000
<i>Total HUD Section 108 Loans</i>	<u>5,325,000</u>	<u>0</u>	<u>370,000</u>	<u>4,955,000</u>	<u>370,000</u>
<i>Other Obligations</i>					
Long-Term Notes	4,809,000	4,945,000	6,129,000	3,625,000	3,625,000
OPWC Loans	1,350,995	603,346	98,540	1,855,801	121,795
Installment Loans	63,505	0	45,718	17,787	17,787
Capital Leases	769,684	670	177,960	592,394	200,101
CDBG Interest Liability	30,335	4,039	34,374	0	0
Compensated Absences	5,470,512	915,318	707,825	5,678,005	1,130,579
<i>Total Governmental Activities</i>	<u>\$39,804,031</u>	<u>\$12,732,320</u>	<u>\$8,813,417</u>	<u>\$43,722,934</u>	<u>\$6,850,262</u>

City of Lorain, Ohio

*Notes to The Basic Financial Statements
For The Year Ended December 31, 2003*

	Principal Outstanding 12/31/02	Additions	Deletions	Principal Outstanding 12/31/03	Due Within One Year
Business-Type Activities					
<i>General Obligation Bonds:</i>					
Water Various Purpose	\$300,000	\$0	\$100,000	\$200,000	\$100,000
Sewer Various Purpose	375,000	0	125,000	250,000	125,000
Various Purpose - Water	1,540,000	0	105,000	1,435,000	110,000
<i>Total General Obligation Bonds</i>	<u>2,215,000</u>	<u>0</u>	<u>330,000</u>	<u>1,885,000</u>	<u>335,000</u>
<i>Revenue Bonds:</i>					
Water System Revenue	7,828,811	7,632	400,000	7,436,443	420,000
Sewer System Refunding Revenue	5,323,789	2,570	480,000	4,846,359	510,000
Deferred Loss on Refunding	(458,107)	55,495	0	(402,612)	0
<i>Total Revenue Bonds</i>	<u>12,694,493</u>	<u>65,697</u>	<u>880,000</u>	<u>11,880,190</u>	<u>930,000</u>
<i>Ohio Water Development Authority Loans:</i>					
SE Sewer Intercept	1,262,894	0	116,920	1,145,974	124,227
Administration Building	608,157	0	294,302	313,855	313,855
East Erie Waterlines	2,010,948	0	74,490	1,936,458	78,586
E. 28th St./Pearl Ave. Relief Sewer	1,028,752	0	45,831	982,921	47,175
Colorado Ave./Root Rd. Waterline	424,700	0	13,453	411,247	14,290
Colorado/Root/E. Erie Waterline	2,534,263	0	94,999	2,439,264	99,206
Westside Waterline Replacement	2,310,122	0	81,148	2,228,974	84,957
Tacoma Ave. Relief Sewer	4,483,150	0	196,649	4,286,501	203,664
Idaho Ave. SSO Elimination	9,183,993	21,369	376,065	8,829,297	389,955
4W Waterline Replacement	0	3,080,489	0	3,080,489	23,060
<i>Total Ohio Water Development Authority Loans</i>	<u>23,846,979</u>	<u>3,101,858</u>	<u>1,293,857</u>	<u>25,654,980</u>	<u>1,378,975</u>
Capital Leases	156,561	0	11,781	144,780	12,385
Compensated Absences	1,412,587	82,087	247,321	1,247,353	185,178
<i>Total Business-Type Activities</i>	<u>\$40,325,620</u>	<u>\$3,249,642</u>	<u>\$2,762,959</u>	<u>\$40,812,303</u>	<u>\$2,841,538</u>

General obligation bonds will be paid from the general bond retirement debt service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The HUD Section 108 loans are paid from the community development special revenue fund.

Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in both the funds which received the proceeds and the full accrual governmental statements and will be paid from the debt service fund. The various purpose, street improvements and real estate and street improvement notes were retired during 2003. The \$3,625,000 in notes was issued for the acquisition of property for a park and for improvements to Oak Point Road. \$2,975,000 of proceeds was deposited in the general obligation bond retirement debt service fund and

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

\$650,000 was deposited in the capital improvements capital projects fund. The proceeds of the \$1,320,000 in notes issued for the real estate and street improvements were deposited in the general obligation bond retirement and the special assessment bond retirement debt service funds. These notes were paid off and bonds were issued during the year.

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

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

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

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

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

The seventeen-year sewer system revenue refunding bonds, Series 1995, were issued for \$8,035,000 on October 1, 1995 at an average interest rate of 4.5 percent for the purpose of advance refunding the City's outstanding sewer system mortgage revenue refunding bonds, Series 1988. These bonds were issued at a discount of \$39,679.

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

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

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, 2003:

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,399,645
Restricted assets held by the City	
Utility Reserve Fund	989,990
Replacement and Improvement Fund	150,000

The sewer system refunding bonds, Series 1995 had a balance at December 31, 2003 of \$4,846,359, net of the unamortized discount.

Contrary to the rate covenant that the City maintain net income available for bond service charges of at least 120 percent of the amount required to be paid into the bond service fund, the City 's bond coverage was 44 percent.

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

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

In conjunction with the issuance of the water revenue bonds and the requirements of the indenture agreement, the City entered into a trust agreement with a commercial bank. The trust agreement requires that the City establish various funds for the construction, replacement, and repayment of debt relating to the construction and improvement of the water system. The restricted assets balance in the water fund segregates funds held by the trustees in accordance with the trust agreement. Restricted assets relating to the revenue bonds consisted of the following at December 31, 2003:

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,209,385
Restricted assets held by the City	
Utility Reserve Fund	374,760
Replacement and Improvement Fund	150,000

The water revenue bonds, Series 1995, had a balance at December 31, 2003 of \$7,436,443 net of the unamortized discount.

The City's overall legal debt margin was \$65,705,140 at December 31, 2003. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

Governmental Activities:

City of Lorain, Ohio

*Notes to The Basic Financial Statements
For The Year Ended December 31, 2003*

Years	General Obligation Bonds		Special Assessment Bonds		HUD Section 108 Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$1,232,296	\$1,277,871	\$152,704	\$58,494	\$370,000	\$281,159
2005	1,252,296	1,212,401	97,704	46,687	370,000	266,440
2006	1,107,296	1,145,981	97,704	40,516	370,000	250,189
2007	1,152,296	1,094,469	97,704	34,319	370,000	232,825
2008	1,185,685	1,040,995	99,325	2,822	370,000	214,489
2009-2013	5,232,000	4,449,543	122,992	99,670	1,691,000	770,420
2014-2018	4,937,879	3,229,063	152,120	70,414	1,040,000	343,501
2019-2023	4,817,421	2,020,167	192,578	29,859	374,000	39,944
2024-2028	3,965,000	797,670	0	0	0	0
2029-2033	1,085,000	121,650	0	0	0	0
Total	\$25,967,169	\$16,389,810	\$1,012,831	\$382,781	\$4,955,000	\$2,398,967

Years	OPWC	Installment Loan		Total	
	Loans	Principal	Interest	Principal	Interest
2004	\$121,795	\$17,787	\$388	\$1,524,582	\$1,336,753
2005	145,049	0	0	1,495,049	1,259,088
2006	145,049	0	0	1,350,049	1,186,497
2007	145,049	0	0	1,395,049	1,128,788
2008	145,049	0	0	1,430,050	1,043,817
2009-2013	694,974	0	0	6,049,966	4,549,213
2014-2018	314,463	0	0	5,404,462	3,299,477
2019-2023	144,373	0	0	5,154,372	2,050,026
2024-2028	0	0	0	3,965,000	797,670
2029-2033	0	0	0	1,085,000	121,650
Total	\$1,855,801	\$17,787	\$388	\$28,853,579	\$16,772,979

Business-Type Activities:

City of Lorain, Ohio

*Notes to The Basic Financial Statements
For The Year Ended December 31, 2003*

Years	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
	2004	\$335,000	\$126,315	\$919,770
2005	340,000	96,738	964,797	571,993
2006	125,000	66,800	1,014,797	522,611
2007	130,000	60,362	1,064,797	469,711
2008	140,000	53,538	1,119,770	413,060
2009-2013	815,000	142,948	4,406,634	1,155,719
2014-2018	0	0	2,389,625	176,280
2019-2023	0	0	0	0
2024-2028	0	0	0	0
2029-2033	0	0	0	0
2034	0	0	0	0
Total	\$1,885,000	\$546,701	\$11,880,190	\$3,927,661

Years	OWDA Loans		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
	2004	\$1,378,975	\$252,215	\$3,687,949
2005	278,636	217,025	2,386,431	1,793,011
2006	293,814	201,850	2,498,781	1,681,275
2007	309,860	185,804	2,614,103	1,563,052
2008	326,821	168,841	2,737,544	1,437,957
2009-2013	1,413,831	574,856	8,826,917	5,212,598
2014-2018	1,231,080	267,982	11,095,829	2,494,334
2019-2023	358,280	18,535	3,804,535	661,705
2024-2028	0	0	662,489	322,831
2029-2033	0	0	84,394	141,405
2034	0	0	96,176	2,356
Total	\$5,591,297	\$1,887,108	\$38,495,148	\$17,174,981

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:

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Enterprise Funds	
Water Works	\$7,541,504
Water Pollution Control	<u>12,522,179</u>
Total	<u><u>\$20,063,683</u></u>

Note 11 - Capital Leases

In prior years, the City entered into leases for the acquisition of equipment, for police cruisers and a sewer cleaner. The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, "Accounting for Leases". Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

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

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
<i>Capital Assets, Being Depreciated:</i>		
Machinery and Equipment	\$1,060,007	\$176,373
Less Accumulated Depreciation:		
Machinery and Equipment	<u>(161,833)</u>	<u>(19,654)</u>
<i>Capital Assets, Net</i>	<u><u>\$898,174</u></u>	<u><u>\$156,719</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, 2003:

Year Ending December 31,	Governmental Activities	Business-type Activities
2004	\$200,101	\$19,812
2005	199,977	19,812
2006	133,893	19,812
2007	<u>133,894</u>	<u>105,686</u>
Total Minimum Lease Payments	667,865	165,122
Less: Amount Representing Interest	<u>(75,471)</u>	<u>(20,342)</u>
Present Value of Minimum Lease Payments	<u><u>\$592,394</u></u>	<u><u>\$144,780</u></u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Note 12 - Compensated Absences

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

Note 13 - Defined Benefit Pension Plans

A. Ohio Public Employee Retirement System

All full-time City employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System of Ohio (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.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002 and 2001, were \$2,067,075, \$2,057,157, and \$2,114,109 respectively; 73.29 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$88 made by the City and \$55 made by the plan members.

B. Ohio Police and Fire Pension Fund

City of Lorain, Ohio

Notes to The Basic Financial Statements For The Year Ended December 31, 2003

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 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$1,000,756 and \$1,069,395 for the year ended December 31, 2003, \$1,022,082 and \$1,021,414 for the year ended December 31, 2002 and \$1,025,776 and \$1,043,178 for the year ended December 31, 2001. The full amount has been contributed for 2002 and 2001. 72.67 percent and 69.98 percent, respectively, have been contributed for 2003, with the remainder being presented as a liability.

Note 14 - Post Employment Benefits

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.0 percent was the portion that was used to fund health care.

Benefits are advanced-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually.

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

The number active contributing participants in the traditional and combined plans were 364,881. Actual employer contributions for 2003, which were used to fund postemployment benefits, were \$762,751. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for

City of Lorain, Ohio

Notes to The Basic Financial Statements For The Year Ended December 31, 2003

payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24.0 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees 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 2003 that were used to fund postemployment benefits were \$397,700 for police and \$345,307 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2002, (the latest information available) were \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

Note 15 – Contractual Commitments

As of December 31, 2003, the open construction contracts for the water department and water pollution control department were \$1,795,187 and \$4,122,922 respectively.

For waterline replacement, there is an open construction contract with Fabrizi Trucking and Paving Company Inc. in the amount of \$1,575,780. Open contracts for relief sewer and retention basin construction for the water pollution control fund includes \$1,568,951 for Mossor Construction Inc., \$919,770 for Mark Schaffer Excavating and Trucking Inc. and \$382,328 for Underground Utilities Inc.

The City also had open construction contracts with Fabrizi Trucking and Paving Company Inc. for the Cooper Foster Park West road widening project and the Riverfront Urban Renewal project in the amount of \$1,907,889 and \$362,689 respectively. The total open construction contracts for the Riverfront Urban Renewal project totaled \$429,449 at the end of 2003.

Note 16 – Jointly Governed Organization

Northeast Ohio Areawide Coordinating Agency

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 37 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 2003, the City contributed \$15,653 to the agency.

Note 17 - Related Organization

Lorain Port Authority

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

Note 18 - Interfund Transfers and Balances

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2003

A. Transfers

Transfers are primarily from the general fund to various funds within the City. The general fund transferred funds to help finance the various programs accounted for in other funds. The legal research, indigent drivers, municipal court security and municipal court improvement funds transferred monies to the general fund to enable the City to pursue grant money for the benefit of persons in the court district by providing necessary matching funds.

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

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

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

Transfers made during the year ended December 31, 2003 were as follows:

Transfer From				
<i>Governmental Activities</i>				
Transfer To	General	Capital Improvements	Nonmajor	Totals
<i>Governmental Activities</i>				
General	\$0	\$0	\$15,000	\$15,000
Community Development Block Grant		38,000	75,000	113,000
G.O. Bond Retirement	639,927	0	705,472	1,345,399
Capital Improvements	20,410	0	177,279	197,689
Nonmajor Funds	1,048,437	0	0	1,048,437
Total	\$1,708,774	\$38,000	\$972,751	\$2,719,525

B. Balances

City of Lorain, Ohio

*Notes to The Basic Financial Statements
For The Year Ended December 31, 2003*

The interfund balances as of December 31, 2003 represent eliminating negative cash, unallocated municipal court fines, utility costs and petroleum costs.

<u>Interfund Payable</u>	<u>Interfund Receivable</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	<u>Capital Improvements</u>	<u>Nonmajor</u>	<u>Water Works</u>	<u>Water Pollution Control</u>	<u>Garage</u>	<u>Total</u>
Governmental Activities						
General	\$1,672,003	\$23,440	\$1,006	\$983	\$12,350	\$1,709,782
Community Development						
Block Grant	0	2	11	11	366	390
Nonmajor	5,098	0	0	0	7,430	12,528
<i>Total Governmental Activities</i>	<u>1,677,101</u>	<u>23,442</u>	<u>1,017</u>	<u>994</u>	<u>20,146</u>	<u>1,722,700</u>
Business-Type Activities						
Water Works	0	7	0	93	3,615	3,715
Water Pollution Control	0	17	706	0	2,241	2,964
<i>Total Business-Type Activities</i>	<u>0</u>	<u>24</u>	<u>706</u>	<u>93</u>	<u>5,856</u>	<u>6,679</u>
<i>Total</i>	<u>\$1,677,101</u>	<u>\$23,466</u>	<u>\$1,723</u>	<u>\$1,087</u>	<u>\$26,002</u>	<u>\$1,729,379</u>

Note 19 - Litigation

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

Note 20 – Subsequent Events

On March 18, 2004, the City refinanced the \$3,625,000 in bond anticipation notes in the amount of \$4,000,000. The new bond anticipation notes have a maturity date of March 17, 2005, with an interest rate of 2.75 percent.

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.

(continued)

Fund Descriptions - Nonmajor Governmental Funds (continued)

Nonmajor Special Revenue Funds (continued)

Cemetery Fund

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

Law Enforcement Fund

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

Municipal Court Computer Fund

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

Legal Research Fund

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

Municipal Court Security Fund

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

Nonmajor Debt Service Fund

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

Special Assessment Bond Retirement Fund

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

Nonmajor Capital Projects Funds

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

General Sewer Fund

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

Riverfront Urban Renewal Fund

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

Municipal Court Improvements Fund

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

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,566,522	\$0	\$3,150,388	\$5,716,910
Materials and Supplies Inventory	177,956	0	0	177,956
Interfund Receivable	18,690	0	4,776	23,466
Intergovernmental Receivable	887,154	0	500,000	1,387,154
Prepaid Items	4,045	0	0	4,045
Municipal Income Taxes Receivable	303,139	0	0	303,139
Property and Other Taxes Receivable	711,954	0	0	711,954
Special Assessment Receivable	0	435,543	0	435,543
<i>Total Assets</i>	<u>\$4,669,460</u>	<u>\$435,543</u>	<u>\$3,655,164</u>	<u>\$8,760,167</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$597,128	\$248	\$6,241	\$603,617
Contracts Payable	0	0	40,344	40,344
Accrued Wages and Benefits	30,386	0	0	30,386
Interfund Payable	12,528	0	0	12,528
Intergovernmental Payable	322	0	3,134	3,456
Matured Compensated Absences Payable	18,877	0	0	18,877
Deferred Revenue	1,369,827	435,543	500,000	2,305,370
<i>Total Liabilities</i>	<u>2,029,068</u>	<u>435,791</u>	<u>549,719</u>	<u>3,014,578</u>
Fund Balances				
Reserved for Encumbrances	113,478	0	276,487	389,965
Unreserved, Undesignated (Deficit)				
Special Revenue Funds	2,526,914	0	0	2,526,914
Debt Service Funds	0	(248)	0	(248)
Capital Projects Funds	0	0	2,828,958	2,828,958
<i>Total Fund Balances (Deficit)</i>	<u>2,640,392</u>	<u>(248)</u>	<u>3,105,445</u>	<u>5,745,589</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,669,460</u>	<u>\$435,543</u>	<u>\$3,655,164</u>	<u>\$8,760,167</u>

City of Lorain, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property and Other Taxes	\$480,268	\$0	\$0	\$480,268
Municipal Income Taxes	2,346,121	0	0	2,346,121
Charges for Services	387,632	0	357,439	745,071
Licenses and Permits	200,518	0	0	200,518
Fines and Forfeitures	406,550	0	74,146	480,696
Intergovernmental	2,665,965	0	0	2,665,965
Special Assessment	0	174,799	0	174,799
Interest	4,396	0	30,230	34,626
Miscellaneous	21,287	7,230	3,181	31,698
<i>Total Revenues</i>	<u>6,512,737</u>	<u>182,029</u>	<u>464,996</u>	<u>7,159,762</u>
Expenditures				
Current:				
General Government	107,189	7,637	0	114,826
Security of Persons and Property	2,129,427	0	0	2,129,427
Transportation	2,578,166	0	0	2,578,166
Public Health	1,435,441	0	0	1,435,441
Community Environment	154,314	0	0	154,314
Capital Outlay	0	0	2,084,252	2,084,252
Debt Service:				
Principal Retirement	326,579	1,521,907	0	1,848,486
Interest and Fiscal Charges	276,703	93,618	0	370,321
Bond Issuance Costs	0	0	359,640	359,640
<i>Total Expenditures</i>	<u>7,007,819</u>	<u>1,623,162</u>	<u>2,443,892</u>	<u>11,074,873</u>
<i>Excess of Revenues</i>				
<i>Under Expenditures</i>	<u>(495,082)</u>	<u>(1,441,133)</u>	<u>(1,978,896)</u>	<u>(3,915,111)</u>
Other Financing Sources (Uses)				
Bonds Issued	0	574,500	4,470,000	5,044,500
Notes Issued	0	620,000	0	620,000
Premium on Debt Issuance	0	0	18,064	18,064
Transfers In	965,556	82,881	0	1,048,437
Transfers Out	(10,000)	0	(962,751)	(972,751)
<i>Total Other Financing Sources (Uses)</i>	<u>955,556</u>	<u>1,277,381</u>	<u>3,525,313</u>	<u>5,758,250</u>
<i>Net Change in Fund Balances</i>	460,474	(163,752)	1,546,417	1,843,139
<i>Fund Balances Beginning of Year</i>	<u>2,179,918</u>	<u>163,504</u>	<u>1,559,028</u>	<u>3,902,450</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$2,640,392</u></u>	<u><u>(\$248)</u></u>	<u><u>\$3,105,445</u></u>	<u><u>\$5,745,589</u></u>

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003

	Streets	Permissive License	Health Services	Litter Control	Police Levy
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$25,350	\$109,131	\$11,326	\$10,286	\$758,917
Materials and Supplies Inventory	108,900	0	11,695	0	57,361
Interfund Receivable	0	0	0	0	1,191
Intergovernmental Receivable	726,491	19,747	101,949	0	11,367
Prepaid Items	87	0	3,831	0	127
Municipal Income Taxes Receivable	0	0	0	0	303,139
Property and Other Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$860,828</u>	<u>\$128,878</u>	<u>\$128,801</u>	<u>\$10,286</u>	<u>\$1,132,102</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$74,907	\$2,826	\$3,451	\$0	\$19,849
Accrued Wages and Benefits	9,678	0	10,361	0	9,538
Interfund Payable	5,162	0	45	0	2,223
Intergovernmental Payable	69	0	103	0	138
Matured Compensated Absences Payable	18,877	0	0	0	0
Deferred Revenue	468,414	0	98,783	0	63,076
<i>Total Liabilities</i>	<u>577,107</u>	<u>2,826</u>	<u>112,743</u>	<u>0</u>	<u>94,824</u>
Fund Balances					
Reserved for Encumbrances	8,315	74,849	2,037	0	28,170
Unreserved, Undesignated (Deficit)	275,406	51,203	14,021	10,286	1,009,108
<i>Total Fund Balances (Deficit)</i>	<u>283,721</u>	<u>126,052</u>	<u>16,058</u>	<u>10,286</u>	<u>1,037,278</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$860,828</u>	<u>\$128,878</u>	<u>\$128,801</u>	<u>\$10,286</u>	<u>\$1,132,102</u>

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City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2003

	Mandatory Drug	Police Pension	Fire Pension	Indigent Drivers	Park Land
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$13,806	\$46,851	\$0	\$137,979	\$86,754
Materials and Supplies Inventory	0	0	0	0	0
Interfund Receivable	0	0	0	455	0
Intergovernmental Receivable	0	13,800	13,800	0	0
Prepaid Items	0	0	0	0	0
Municipal Income Taxes Receivable	0	0	0	0	0
Property and Other Taxes Receivable	0	355,977	355,977	0	0
<i>Total Assets</i>	<u>\$13,806</u>	<u>\$416,628</u>	<u>\$369,777</u>	<u>\$138,434</u>	<u>\$86,754</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$0	\$235,882	\$255,770	\$0	\$0
Accrued Wages and Benefits	0	0	0	0	0
Interfund Payable	0	0	5,098	0	0
Intergovernmental Payable	0	0	0	0	0
Matured Compensated Absences Payable	0	0	0	0	0
Deferred Revenue	0	369,777	369,777	0	0
<i>Total Liabilities</i>	<u>0</u>	<u>605,659</u>	<u>630,645</u>	<u>0</u>	<u>0</u>
Fund Balances					
Reserved for Encumbrances	0	0	0	0	0
Unreserved, Undesignated (Deficit)	13,806	(189,031)	(260,868)	138,434	86,754
<i>Total Fund Balances (Deficit)</i>	<u>13,806</u>	<u>(189,031)</u>	<u>(260,868)</u>	<u>138,434</u>	<u>86,754</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$13,806</u>	<u>\$416,628</u>	<u>\$369,777</u>	<u>\$138,434</u>	<u>\$86,754</u>

<u>Cemetery</u>	<u>Law Enforcement</u>	<u>Municipal Court Computer</u>	<u>Legal Research</u>	<u>Municipal Court Security</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$73,276	\$682,726	\$388,286	\$102,843	\$118,991	\$2,566,522
0	0	0	0	0	177,956
0	0	10,341	3,100	3,603	18,690
0	0	0	0	0	887,154
0	0	0	0	0	4,045
0	0	0	0	0	303,139
0	0	0	0	0	711,954
<u>\$73,276</u>	<u>\$682,726</u>	<u>\$398,627</u>	<u>\$105,943</u>	<u>\$122,594</u>	<u>\$4,669,460</u>
\$0	\$0	\$0	\$4,443	\$0	\$597,128
0	0	461	348	0	30,386
0	0	0	0	0	12,528
0	0	7	5	0	322
0	0	0	0	0	18,877
0	0	0	0	0	1,369,827
<u>0</u>	<u>0</u>	<u>468</u>	<u>4,796</u>	<u>0</u>	<u>2,029,068</u>
0	0	0	107	0	113,478
<u>73,276</u>	<u>682,726</u>	<u>398,159</u>	<u>101,040</u>	<u>122,594</u>	<u>2,526,914</u>
<u>73,276</u>	<u>682,726</u>	<u>398,159</u>	<u>101,147</u>	<u>122,594</u>	<u>2,640,392</u>
<u>\$73,276</u>	<u>\$682,726</u>	<u>\$398,627</u>	<u>\$105,943</u>	<u>\$122,594</u>	<u>\$4,669,460</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, 2003

	Streets	Permissive License	Health Services	Litter Control	Police Levy
Revenues					
Property and Other Taxes	\$0	\$0	\$0	\$0	\$0
Municipal Income Taxes	0	0	0	0	2,346,121
Charges for Services	0	0	387,632	0	0
Licenses and Permits	0	0	200,518	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	1,742,736	273,707	374,665	160,000	44,771
Interest	0	0	0	0	3,869
Miscellaneous	0	0	0	0	5,787
<i>Total Revenues</i>	<u>1,742,736</u>	<u>273,707</u>	<u>962,815</u>	<u>160,000</u>	<u>2,400,548</u>
Expenditures					
Current:					
General Government	0	0	0	0	0
Security of Persons and Property	0	0	0	0	1,818,589
Transportation	2,153,098	425,068	0	0	0
Public Health	0	0	1,435,441	0	0
Community Environment	0	0	0	154,314	0
Debt Service:					
Principal Retirement	101,729	0	0	0	174,850
Interest and Fiscal Charges	32,164	0	0	0	146,503
<i>Total Expenditures</i>	<u>2,286,991</u>	<u>425,068</u>	<u>1,435,441</u>	<u>154,314</u>	<u>2,139,942</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(544,255)</u>	<u>(151,361)</u>	<u>(472,626)</u>	<u>5,686</u>	<u>260,606</u>
Other Financing Sources (Uses)					
Transfers In	511,162	0	454,394	0	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>511,162</u>	<u>0</u>	<u>454,394</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(33,093)	(151,361)	(18,232)	5,686	260,606
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>316,814</u>	<u>277,413</u>	<u>34,290</u>	<u>4,600</u>	<u>776,672</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$283,721</u></u>	<u><u>\$126,052</u></u>	<u><u>\$16,058</u></u>	<u><u>\$10,286</u></u>	<u><u>\$1,037,278</u></u>

Mandatory Drug	Police Pension	Fire Pension	Indigent Drivers	Park Land	Cemetery	Law Enforcement
\$0	\$240,134	\$240,134	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
21,946	0	0	14,474	0	0	174,731
0	35,043	35,043	0	0	0	0
0	0	0	0	0	0	77
0	0	0	0	15,500	0	0
<u>21,946</u>	<u>275,177</u>	<u>275,177</u>	<u>14,474</u>	<u>15,500</u>	<u>0</u>	<u>174,808</u>
0	0	0	0	0	0	0
17,716	73,714	137,392	0	0	0	82,016
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	17,500	32,500	0	0	0	0
0	34,312	63,724	0	0	0	0
<u>17,716</u>	<u>125,526</u>	<u>233,616</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>82,016</u>
<u>4,230</u>	<u>149,651</u>	<u>41,561</u>	<u>14,474</u>	<u>15,500</u>	<u>0</u>	<u>92,792</u>
0	0	0	0	0	0	0
0	0	0	(5,000)	0	0	0
0	0	0	(5,000)	0	0	0
4,230	149,651	41,561	9,474	15,500	0	92,792
9,576	(338,682)	(302,429)	128,960	71,254	73,276	589,934
<u>\$13,806</u>	<u>(\$189,031)</u>	<u>(\$260,868)</u>	<u>\$138,434</u>	<u>\$86,754</u>	<u>\$73,276</u>	<u>\$682,726</u>

(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, 2003

	Municipal Court Computer	Legal Research	Municipal Court Security	Total Nonmajor Special Revenue Funds
Revenues				
Property and Other Taxes	\$0	\$0	\$0	\$480,268
Municipal Income Taxes	0	0	0	2,346,121
Charges for Services	0	0	0	387,632
Licenses and Permits	0	0	0	200,518
Fines and Forfeitures	110,516	38,763	46,120	406,550
Intergovernmental	0	0	0	2,665,965
Interest	450	0	0	4,396
Miscellaneous	0	0	0	21,287
<i>Total Revenues</i>	<u>110,966</u>	<u>38,763</u>	<u>46,120</u>	<u>6,512,737</u>
Expenditures				
Current:				
General Government	55,354	51,835	0	107,189
Security of Persons and Property	0	0	0	2,129,427
Transportation	0	0	0	2,578,166
Public Health	0	0	0	1,435,441
Community Environment	0	0	0	154,314
Debt Service:				
Principal Retirement	0	0	0	326,579
Interest and Fiscal Charges	0	0	0	276,703
<i>Total Expenditures</i>	<u>55,354</u>	<u>51,835</u>	<u>0</u>	<u>7,007,819</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>55,612</u>	<u>(13,072)</u>	<u>46,120</u>	<u>(495,082)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	965,556
Transfers Out	0	(2,500)	(2,500)	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>955,556</u>
<i>Net Change in Fund Balances</i>	55,612	(15,572)	43,620	460,474
<i>Fund Balances (Deficit)</i>				
<i>Beginning of Year</i>	<u>342,547</u>	<u>116,719</u>	<u>78,974</u>	<u>2,179,918</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$398,159</u></u>	<u><u>\$101,147</u></u>	<u><u>\$122,594</u></u>	<u><u>\$2,640,392</u></u>

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2003

	General Sewer	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$173,345	\$2,818,874	\$158,169	\$3,150,388
Interfund Receivable	66	0	4,710	4,776
Intergovernmental Receivable	0	500,000	0	500,000
<i>Total Assets</i>	<u>\$173,411</u>	<u>\$3,318,874</u>	<u>\$162,879</u>	<u>\$3,655,164</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$5,817	\$424	\$6,241
Contracts Payable	0	40,344	0	40,344
Intergovernmental Payable	0	3,134	0	3,134
Deferred Revenue	0	500,000	0	500,000
<i>Total Liabilities</i>	<u>0</u>	<u>549,295</u>	<u>424</u>	<u>549,719</u>
Fund Balances				
Reserved for Encumbrances	5,300	266,830	4,357	276,487
Unreserved, Undesignated	168,111	2,502,749	158,098	2,828,958
<i>Total Fund Balances</i>	<u>173,411</u>	<u>2,769,579</u>	<u>162,455</u>	<u>3,105,445</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$173,411</u>	<u>\$3,318,874</u>	<u>\$162,879</u>	<u>\$3,655,164</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, 2003

	General Sewer	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
Revenues				
Charges for Services	\$357,439	\$0	\$0	\$357,439
Fines and Forfeitures	0	0	74,146	74,146
Interest	0	29,780	450	30,230
Miscellaneous	0	3,181	0	3,181
<i>Total Revenues</i>	<u>357,439</u>	<u>32,961</u>	<u>74,596</u>	<u>464,996</u>
Expenditures				
Capital Outlay	12,065	1,989,772	82,415	2,084,252
Debt Service:				
Debt Issuance Costs	0	359,640	0	359,640
<i>Total Expenditures</i>	<u>12,065</u>	<u>2,349,412</u>	<u>82,415</u>	<u>2,443,892</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>345,374</u>	<u>(2,316,451)</u>	<u>(7,819)</u>	<u>(1,978,896)</u>
Other Financing Sources (Uses)				
Bonds Issued	0	4,470,000	0	4,470,000
Premium on Debt Issuance	0	18,064	0	18,064
Transfers Out	(177,279)	(780,472)	(5,000)	(962,751)
<i>Total Other Financing Sources (Uses)</i>	<u>(177,279)</u>	<u>3,707,592</u>	<u>(5,000)</u>	<u>3,525,313</u>
<i>Net Change in Fund Balances</i>	168,095	1,391,141	(12,819)	1,546,417
<i>Fund Balances Beginning of Year</i>	<u>5,316</u>	<u>1,378,438</u>	<u>175,274</u>	<u>1,559,028</u>
<i>Fund Balances End of Year</i>	<u><u>\$173,411</u></u>	<u><u>\$2,769,579</u></u>	<u><u>\$162,455</u></u>	<u><u>\$3,105,445</u></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, 2003

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$44,549	\$276,085	\$320,634
Materials and Supplies Inventory	87,883	0	87,883
Interfund Receivable	26,002	0	26,002
Prepaid Items	31	0	31
	<u>158,465</u>	<u>276,085</u>	<u>434,550</u>
<i>Total Assets</i>			
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	19,424	48,264	67,688
Accrued Wages	4,034	167	4,201
Compensated Absences Payable	32,418	0	32,418
Intergovernmental Payable	24,199	996	25,195
Claims Payable	0	500,158	500,158
	<u>80,075</u>	<u>549,585</u>	<u>629,660</u>
<i>Total Current Liabilities</i>			
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	68,806	4,207	73,013
	<u>68,806</u>	<u>4,207</u>	<u>73,013</u>
<i>Total Liabilities</i>	<u>148,881</u>	<u>553,792</u>	<u>702,673</u>
Net Assets			
Unrestricted (Deficit)	\$9,584	(\$277,707)	(\$268,123)
	<u><u>\$9,584</u></u>	<u><u>(\$277,707)</u></u>	<u><u>(\$268,123)</u></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, 2003

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
Operating Revenues			
Charges for Services	\$1,070,462	\$4,116,395	\$5,186,857
Miscellaneous	0	20,510	20,510
<i>Total Operating Revenues</i>	<u>1,070,462</u>	<u>4,136,905</u>	<u>5,207,367</u>
Operating Expenses			
Personal Services	458,806	19,271	478,077
Materials and Supplies	551,128	0	551,128
Contractual Services	1,438	46,731	48,169
Claims	0	3,888,989	3,888,989
Other Operating Expenses	1,800	232	2,032
Depreciation	201	0	201
<i>Total Operating Expenses</i>	<u>1,013,373</u>	<u>3,955,223</u>	<u>4,968,596</u>
<i>Operating Income</i>	<u>57,089</u>	<u>181,682</u>	<u>238,771</u>
Non-Operating Revenues (Expenses)			
Loss on Sale of Capital Assets	(1,413)	0	(1,413)
Interest	0	405	405
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(1,413)</u>	<u>405</u>	<u>(1,008)</u>
<i>Change in Net Assets</i>	55,676	182,087	237,763
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(46,092)</u>	<u>(459,794)</u>	<u>(505,886)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$9,584</u></u>	<u><u>(\$277,707)</u></u>	<u><u>(\$268,123)</u></u>

City of Lorain, Ohio
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2003

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Transactions with Other Funds	\$1,073,222	\$4,116,395	\$5,189,617
Cash Payments for Goods and Services	(537,650)	0	(537,650)
Cash Payments for Employee Services and Benefits	(445,357)	(18,826)	(464,183)
Cash Payments for Claims	0	(3,607,211)	(3,607,211)
Cash Payments for Other	0	(232)	(232)
Other Operating Revenues	0	20,510	20,510
<i>Net Cash Provided by Operating Activities</i>	90,215	510,636	600,851
Cash Flows from Noncapital Financing Activities			
Advances Out	(76,965)	(234,956)	(311,921)
Cash Flows from Investing Activities			
Interest	0	405	405
<i>Net Increase in Cash and Cash Equivalents</i>	13,250	276,085	289,335
<i>Cash and Cash Equivalents Beginning of Year</i>	31,299	0	31,299
<i>Cash and Cash Equivalents End of Year</i>	<u>\$44,549</u>	<u>\$276,085</u>	<u>\$320,634</u>

(continued)

City of Lorain, Ohio
Combining Statement of Cash Flows
Internal Service Funds (continued)
For the Year Ended December 31, 2003

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating Income	\$57,089	\$181,682	\$238,771
Adjustments			
Depreciation	201	0	201
(Increase) Decrease in Assets:			
Interfund Receivables	2,760	0	2,760
Materials Inventory	12,451	0	12,451
Prepaid Items	(31)	0	(31)
Increase in Liabilities:			
Accounts Payable	4,296	46,731	51,027
Accrued Wages	2,106	56	2,162
Claims Payable	0	281,778	281,778
Compensated Absences Payable	6,945	218	7,163
Intergovernmental Payable	4,398	171	4,569
<i>Total Adjustments</i>	<u>33,126</u>	<u>328,954</u>	<u>362,080</u>
<i>Net Cash Provided By Operating Activities</i>	<u>\$90,215</u>	<u>\$510,636</u>	<u>\$600,851</u>

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.

City of Lorain, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2003

	Beginning Balance 12/31/02	Additions	Deductions	Ending Balance 12/31/03
<i>Street Excavation</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$11,760	\$0	\$0	\$11,760
Liabilities				
Deposits Held and Due to Others	\$11,760	\$0	\$0	\$11,760
 <i>Allotment Improvement</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$125,046	\$98,844	\$83,471	\$140,419
Liabilities				
Deposits Held and Due to Others	\$125,046	\$98,844	\$83,471	\$140,419
 <i>Deposits Held</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$86,421	\$91,919	\$70,368	\$107,972
Liabilities				
Deposits Held and Due to Others	\$86,421	\$91,919	\$70,368	\$107,972
 <i>Contracts Trust</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,784	\$2,650	\$910	\$3,524
Liabilities				
Deposits Held and Due to Others	\$1,784	\$2,650	\$910	\$3,524
 <i>Vital Statistics</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,469	\$56,154	\$44,791	\$16,832
Liabilities				
Deposits Held and Due to Others	\$5,469	\$56,154	\$44,791	\$16,832

(continued)

City of Lorain, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds (continued)
For the Year Ended December 31, 2003

	Beginning Balance 12/31/02	Additions	Deductions	Ending Balance 12/31/03
<i>Flexible Spending</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$15,007	\$67,674	\$60,211	\$22,470
Liabilities				
Deposits Held and Due to Others	\$15,007	\$67,674	\$60,211	\$22,470
<i>County User Fee</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$26,621	\$22,681	\$3,940
Liabilities				
Deposits Held and Due to Others	\$0	\$26,621	\$22,681	\$3,940
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$245,487	\$343,862	\$282,432	\$306,917
Liabilities				
Deposits Held and Due to Others	\$245,487	\$343,862	\$282,432	\$306,917

**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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$2,835,276	\$2,661,265	\$2,614,951	(\$46,314)
Municipal Income Taxes	14,567,772	14,654,420	14,655,622	1,202
Charges for Services	553,100	532,383	502,682	(29,701)
Licenses, Permits and Fees	949,600	711,309	639,958	(71,351)
Fines, Fees, and Permits	1,004,500	949,299	1,085,339	136,040
Intergovernmental	4,647,019	5,354,779	5,255,835	(98,944)
Interest	5,000	5,000	1,492	(3,508)
Miscellaneous	128,550	112,347	115,314	2,967
<i>Total Revenues</i>	<u>24,690,817</u>	<u>24,980,802</u>	<u>24,871,193</u>	<u>(109,609)</u>
Expenditures:				
Current:				
General Government				
Civil Service:				
Wages and Benefits	0	73,861	73,835	26
Contractual Services	3,000	6,500	6,457	43
Materials and Supplies	350	350	238	112
Other	1,200	1,200	1,124	76
<i>Total Civil Service</i>	<u>4,550</u>	<u>81,911</u>	<u>81,654</u>	<u>257</u>
Council:				
Wages and Benefits	256,881	250,876	248,184	2,692
Contractual Services	40,276	39,676	36,503	3,173
Materials and Supplies	1,000	1,000	965	35
Other	4,522	5,122	4,934	188
<i>Total Council</i>	<u>302,679</u>	<u>296,674</u>	<u>290,586</u>	<u>6,088</u>
Mayor:				
Wages and Benefits	144,941	144,941	141,367	3,574
Contractual Services	6,933	6,933	6,749	184
Materials and Supplies	0	1,715	1,393	322
Other	280	280	68	212
<i>Total Mayor</i>	<u>152,154</u>	<u>153,869</u>	<u>149,577</u>	<u>4,292</u>
Auditor:				
Wages and Benefits	403,540	404,590	403,965	625
Contractual Services	68,365	67,315	64,711	2,604
Materials and Supplies	30,080	30,080	28,557	1,523
Other	500	500	436	64
<i>Total Auditor</i>	<u>\$502,485</u>	<u>\$502,485</u>	<u>\$497,669</u>	<u>\$4,816</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Treasurer:				
Wages and Benefits	\$412,062	\$375,062	\$370,431	\$4,631
Contractual Services	9,693	11,341	11,271	70
Materials and Supplies	26,750	26,750	26,596	154
Capital Outlay	0	30,000	30,000	0
Other	9,200	10,200	9,908	292
<i>Total Treasurer</i>	<u>457,705</u>	<u>453,353</u>	<u>448,206</u>	<u>5,147</u>
Law Director:				
Wages and Benefits	612,797	597,297	596,013	1,284
Contractual Services	2,674	2,274	1,971	303
Materials and Supplies	16,515	17,355	16,834	521
Capital Outlay	8,700	11,200	9,900	1,300
Other	2,500	4,060	2,425	1,635
<i>Total Law Director</i>	<u>643,186</u>	<u>632,186</u>	<u>627,143</u>	<u>5,043</u>
Judges:				
Wages and Benefits	586,494	600,924	603,436	(2,512)
Contractual Services	15,135	30,135	26,796	3,339
Materials and Supplies	6,135	6,135	4,050	2,085
Other	8,150	8,150	4,688	3,462
<i>Total Judges</i>	<u>615,914</u>	<u>645,344</u>	<u>638,970</u>	<u>6,374</u>
Clerk of Courts:				
Wages and Benefits	634,814	624,814	623,671	1,143
Contractual Services	17,331	17,331	14,833	2,498
Materials and Supplies	60,819	62,480	45,862	16,618
Other	0	3,138	2,993	145
<i>Total Clerk of Courts</i>	<u>712,964</u>	<u>707,763</u>	<u>687,359</u>	<u>20,404</u>
Electrical:				
Wages and Benefits	385,148	429,148	425,860	3,288
Contractual Services	48,533	58,808	55,663	3,145
Materials and Supplies	51,487	51,487	46,779	4,708
Capital Outlay	22,000	6,500	6,000	500
Other	1,644	1,644	1,206	438
<i>Total Electrical</i>	<u>\$508,812</u>	<u>\$547,587</u>	<u>\$535,508</u>	<u>\$12,079</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Safety/Service:				
Wages and Benefits	\$494,089	\$494,089	\$496,110	(\$2,021)
Contractual Services	1,070,742	544,995	1,209,219	(664,224)
Materials and Supplies	71,615	80,262	71,035	9,227
Other	216,325	215,425	204,240	11,185
<i>Total Safety/Service</i>	<u>1,852,771</u>	<u>1,334,771</u>	<u>1,980,604</u>	<u>(645,833)</u>
Engineering:				
Wages and Benefits	642,835	663,035	660,160	2,875
Contractual Services	7,636	10,299	5,796	4,503
Materials and Supplies	12,750	12,884	10,593	2,291
Other	2,500	2,500	2,452	48
<i>Total Engineering</i>	<u>665,721</u>	<u>688,718</u>	<u>679,001</u>	<u>9,717</u>
Data Processing:				
Wages and Benefits	128,355	126,355	126,550	(195)
Contractual Services	160,300	164,200	149,550	14,650
Materials and Supplies	36,395	36,895	36,403	492
Capital Outlay	14,593	14,593	14,524	69
Other	798	798	776	22
<i>Total Data Processing</i>	<u>340,441</u>	<u>342,841</u>	<u>327,803</u>	<u>15,038</u>
<i>Total General Government</i>	<u>6,759,382</u>	<u>6,387,502</u>	<u>6,944,080</u>	<u>(556,578)</u>
Security of Persons and Property				
Police Department:				
Wages and Benefits	6,964,298	7,086,347	7,535,627	(449,280)
Contractual Services	305,509	307,808	300,378	7,430
Materials and Supplies	345,752	355,252	341,703	13,549
Capital Outlay	14,546	66,831	66,811	20
<i>Total Police Department</i>	<u>7,630,105</u>	<u>7,816,238</u>	<u>8,244,519</u>	<u>(428,281)</u>
Fire Department				
Wages and Benefits	6,263,485	6,247,287	6,456,414	(209,127)
Contractual Services	275,275	290,275	101,507	188,768
Materials and Supplies	108,169	125,142	121,623	3,519
Capital Outlay	1,990	4,040	3,992	48
Other	15,478	12,653	12,500	153
<i>Total Fire Department</i>	<u>6,664,397</u>	<u>6,679,397</u>	<u>6,696,036</u>	<u>(16,639)</u>
<i>Total Security of Persons and Property</i>	<u>\$14,294,502</u>	<u>\$14,495,635</u>	<u>\$14,940,555</u>	<u>(\$444,920)</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Public Health Services				
Cemetery:				
Wages and Benefits	\$169,549	\$172,549	\$173,764	(\$1,215)
Contractual Services	7,000	7,500	7,068	432
Materials and Supplies	34,621	34,121	33,845	276
Capital Outlay	5,000	5,000	4,094	906
<i>Total Cemetery</i>	<u>216,170</u>	<u>219,170</u>	<u>218,771</u>	<u>399</u>
Dog Warden:				
Wages and Benefits	56,182	55,182	53,812	1,370
Materials and Supplies	5,500	6,000	5,758	242
Other	100	100	89	11
<i>Total Dog Warden</i>	<u>61,782</u>	<u>61,282</u>	<u>59,659</u>	<u>1,623</u>
<i>Total Public Health Services</i>	<u>277,952</u>	<u>280,452</u>	<u>278,430</u>	<u>2,022</u>
Community Environment				
Building Inspection:				
Wages and Benefits	508,453	472,953	469,983	2,970
Contractual Services	38,912	40,276	32,227	8,049
Materials and Supplies	10,552	10,688	10,167	521
Other	2,700	2,700	1,826	874
<i>Total Community Environment</i>	<u>560,617</u>	<u>526,617</u>	<u>514,203</u>	<u>12,414</u>
Leisure Time Activities				
Parks Department:				
Wages and Benefits	681,143	751,143	861,900	(110,757)
Contractual Services	141,256	91,256	93,445	(2,189)
Materials and Supplies	134,609	144,609	145,150	(541)
Capital Outlay	5,000	5,000	4,736	264
Other	4,700	4,700	4,570	130
<i>Total Leisure Time Activities</i>	<u>\$966,708</u>	<u>\$996,708</u>	<u>\$1,109,801</u>	<u>(\$113,093)</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental	\$18,420	\$18,420	\$18,420	\$0
Debt Service:				
Principal Retirement	20,153	20,153	19,982	171
Interest and Fiscal Charges	1,451	1,451	1,451	0
<i>Total Debt Service</i>	21,604	21,604	21,433	171
<i>Total Expenditures</i>	22,899,185	22,726,938	23,826,922	(1,099,984)
<i>Excess of Revenues Over Expenditures</i>	1,791,632	2,253,864	1,044,271	(1,209,593)
Other Financing Sources (Uses):				
Advances In	0	0	76,965	76,965
Transfers In	278,900	54,000	15,000	(39,000)
Transfers Out	0	(465,266)	(1,708,774)	(1,243,508)
<i>Total Other Financing Sources (Uses)</i>	278,900	(411,266)	(1,616,809)	(1,205,543)
<i>Net Change in Fund Balance</i>	2,070,532	1,842,598	(572,538)	(2,415,136)
<i>Fund Balance (Deficit) Beginning of Year</i>	(1,665,101)	(1,665,101)	(1,665,101)	0
Prior Year Encumbrances Appropriated	78,805	78,805	78,805	0
<i>Fund Balance (Deficit) End of Year</i>	\$484,236	\$256,302	(\$2,158,834)	(\$2,415,136)

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$6,115,048	\$6,710,322	\$4,521,682	(\$2,188,640)
Interest	21,420	21,420	27,106	5,686
Miscellaneous	551,000	616,355	575,871	(40,484)
<i>Total Revenues</i>	<u>6,687,468</u>	<u>7,348,097</u>	<u>5,124,659</u>	<u>(2,223,438)</u>
Expenditures:				
Current:				
Economic Development				
Wages and Benefits	1,306,782	1,715,463	1,305,441	410,022
Contractual Services	2,383,226	2,293,412	1,120,473	1,172,939
Materials and Supplies	500	500	0	500
Capital Outlay	639,022	764,022	511,974	252,048
Other	4,272,510	4,879,843	2,609,037	2,270,806
<i>Total Economic Development</i>	<u>8,602,040</u>	<u>9,653,240</u>	<u>5,546,925</u>	<u>4,106,315</u>
Debt Service:				
Principal Retirement	444,737	444,737	414,393	30,344
Interest and Fiscal Charges	421,588	422,888	363,115	59,773
<i>Total Debt Service</i>	<u>866,325</u>	<u>867,625</u>	<u>777,508</u>	<u>90,117</u>
<i>Total Expenditures</i>	<u>9,468,365</u>	<u>10,520,865</u>	<u>6,324,433</u>	<u>4,196,432</u>
<i>Excess of Revenues Under Expenditures</i>	(2,780,897)	(3,172,768)	(1,199,774)	1,972,994
Other Financing Sources:				
Transfers In	113,000	113,000	113,000	0
<i>Net Change in Fund Balance</i>	(2,667,897)	(3,059,768)	(1,086,774)	1,972,994
<i>Fund Balance Beginning of Year</i>	2,138,992	2,138,992	2,138,992	0
Prior Year Encumbrances Appropriated	1,094,197	1,094,197	1,094,197	0
<i>Fund Balance End of Year</i>	<u>\$565,292</u>	<u>\$173,421</u>	<u>\$2,146,415</u>	<u>\$1,972,994</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$832,609	\$777,878	\$813,378	\$35,500
Intergovernmental	119,128	119,128	116,568	(2,560)
Interest	120,000	100,551	87,097	(13,454)
Miscellaneous	21,063	25,835	25,835	0
<i>Total Revenues</i>	<u>1,092,800</u>	<u>1,023,392</u>	<u>1,042,878</u>	<u>19,486</u>
Expenditures:				
Current:				
General Government				
Other	18,700	19,475	17,133	2,342
Debt Service:				
Principal Retirement	4,872,631	5,822,734	5,822,731	3
Interest and Fiscal Charges	899,469	1,060,058	1,060,057	1
Bond and Note Issuance Costs	0	112,390	112,390	0
<i>Total Debt Service</i>	<u>5,772,100</u>	<u>6,995,182</u>	<u>6,995,178</u>	<u>4</u>
<i>Total Expenditures</i>	<u>5,790,800</u>	<u>7,014,657</u>	<u>7,012,311</u>	<u>2,346</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(4,698,000)</u>	<u>(5,991,265)</u>	<u>(5,969,433)</u>	<u>21,832</u>
Other Financing Sources (Uses):				
Bonds Issued	0	1,200,500	1,200,500	0
Premium on Bonds Issued	0	883	883	0
Notes Issued	3,804,500	3,675,000	3,675,000	0
Transfers In	802,977	1,378,450	1,345,399	(33,051)
<i>Total Other Financing Sources (Uses)</i>	<u>4,607,477</u>	<u>6,254,833</u>	<u>6,221,782</u>	<u>(33,051)</u>
<i>Net Change in Fund Balance</i>	<u>(90,523)</u>	<u>263,568</u>	<u>252,349</u>	<u>(11,219)</u>
<i>Fund Balance Beginning of Year</i>	<u>114,706</u>	<u>114,706</u>	<u>114,706</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$24,183</u>	<u>\$378,274</u>	<u>\$367,055</u>	<u>(\$11,219)</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$4,623,029	\$4,883,029	\$1,085,506	(\$3,797,523)
Interest	7,500	7,500	3,592	(3,908)
Miscellaneous	0	20,358	79,538	59,180
<i>Total Revenues</i>	<u>4,630,529</u>	<u>4,910,887</u>	<u>1,168,636</u>	<u>(3,742,251)</u>
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	6,375,625	6,768,939	2,810,098	3,958,841
Capital Outlay	7,124,865	7,142,645	1,070,089	6,072,556
<i>Total Capital Outlay</i>	<u>13,500,490</u>	<u>13,911,584</u>	<u>3,880,187</u>	<u>10,031,397</u>
Debt Service:				
Interest and Fiscal Charges	0	16,686	16,686	0
<i>Total Expenditures</i>	<u>13,500,490</u>	<u>13,928,270</u>	<u>3,896,873</u>	<u>10,031,397</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(8,869,961)</u>	<u>(9,017,383)</u>	<u>(2,728,237)</u>	<u>6,289,146</u>
Other Financing Sources (Uses):				
Notes Issued	650,000	650,000	650,000	0
OPWC Loans Issued	603,346	603,346	603,346	0
Transfers In	448,767	448,767	197,689	(251,078)
Transfers Out	(38,000)	(38,000)	(38,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,664,113</u>	<u>1,664,113</u>	<u>1,413,035</u>	<u>(251,078)</u>
<i>Net Change in Fund Balance</i>	(7,205,848)	(7,353,270)	(1,315,202)	6,038,068
<i>Fund Balance Beginning of Year</i>	6,485,217	6,485,217	6,485,217	0
Prior Year Encumbrances Appropriated	870,631	870,631	870,631	0
<i>Fund Balance End of Year</i>	<u>\$150,000</u>	<u>\$2,578</u>	<u>\$6,040,646</u>	<u>\$6,038,068</u>

*Schedule of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Non - GAAP Basis)
Water Works Fund
For the Year Ended December 31, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$8,238,700	\$8,238,700	\$8,084,060	(\$154,640)
OWDA Loans Issued	3,500,000	3,500,000	3,080,489	(419,511)
Interest	102,000	102,000	46,349	(55,651)
Miscellaneous	25,700	25,700	38,715	13,015
<i>Total Revenues</i>	<u>11,866,400</u>	<u>11,866,400</u>	<u>11,249,613</u>	<u>(616,787)</u>
Expenses:				
Personal Services	4,064,573	3,960,573	3,976,475	(15,902)
Contractual Services	601,541	605,425	500,336	105,089
Materials and Supplies	630,702	682,494	578,739	103,755
Utilities	530,000	587,300	594,901	(7,601)
Capital Outlay	4,001,523	3,999,763	3,343,137	656,626
Other Expense	229,835	225,271	191,065	34,206
Debt Service:				
Principal Retirement	1,178,391	1,178,391	1,163,392	14,999
Interest and Fiscal Charges	901,684	901,684	901,683	1
<i>Total Expenses</i>	<u>12,138,249</u>	<u>12,140,901</u>	<u>11,249,728</u>	<u>891,173</u>
<i>Excess of Revenues Under Expenses</i>	(271,849)	(274,501)	(115)	274,386
<i>Fund Equity Beginning of Year</i>	1,459,304	1,459,304	1,459,304	0
Prior Year Encumbrances Appropriated	<u>240,942</u>	<u>240,942</u>	<u>240,942</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$1,428,397</u>	<u>\$1,425,745</u>	<u>\$1,700,131</u>	<u>\$274,386</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$7,801,600	\$7,801,600	\$7,557,366	(\$244,234)
OWDA Loans Issued	7,813,409	7,813,409	21,369	(7,792,040)
Interest	99,000	99,000	48,500	(50,500)
Miscellaneous	53,100	53,100	20,028	(33,072)
<i>Total Revenues</i>	<u>15,767,109</u>	<u>15,767,109</u>	<u>7,647,263</u>	<u>(8,119,846)</u>
Expenses:				
Personal Services	4,626,599	4,406,853	4,307,775	99,078
Contractual Services	2,992,168	3,012,442	2,544,764	467,678
Materials and Supplies	425,552	433,352	321,525	111,827
Utilities	644,750	659,750	662,012	(2,262)
Capital Outlay	7,903,522	8,281,755	4,838,798	3,442,957
Other Operating Expense	308,221	305,410	233,809	71,601
Debt Service:				
Principal Retirement	1,341,915	1,340,466	1,340,465	1
Interest and Fiscal Charges	894,530	895,979	895,979	0
<i>Total Expenses</i>	<u>19,137,257</u>	<u>19,336,007</u>	<u>15,145,127</u>	<u>4,190,880</u>
<i>Excess of Revenues Under Expenses</i>	(3,370,148)	(3,568,898)	(7,497,864)	(3,928,966)
Advances In	<u>84,882</u>	<u>84,882</u>	<u>84,882</u>	<u>0</u>
<i>Excess of Revenues and Advances In Under Expenses</i>	(3,285,266)	(3,484,016)	(7,412,982)	(3,928,966)
<i>Fund Equity Beginning of Year</i>	8,868,726	8,868,726	8,868,726	0
Prior Year Encumbrances Appropriated	<u>572,123</u>	<u>572,123</u>	<u>572,123</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$6,155,583</u>	<u>\$5,956,833</u>	<u>\$2,027,867</u>	<u>(\$3,928,966)</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, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$1,613,000	\$1,656,800	\$1,699,298	\$42,498
Expenditures:				
Current:				
Transportation				
Wages and Benefits	1,274,203	1,274,203	1,284,805	(10,602)
Contractual Services	27,485	27,485	22,577	4,908
Materials and Supplies	750,968	795,818	788,505	7,313
Capital Outlay	4,500	3,450	2,514	936
Other	3,400	3,400	819	2,581
<i>Total Expenditures</i>	<u>2,194,450</u>	<u>2,238,250</u>	<u>2,233,113</u>	<u>5,137</u>
<i>Excess of Revenues Under Expenditures</i>	(581,450)	(581,450)	(533,815)	47,635
Other Financing Sources:				
Transfers In	<u>558,797</u>	<u>558,797</u>	<u>511,162</u>	<u>(47,635)</u>
<i>Net Change in Fund Balance</i>	(22,653)	(22,653)	(22,653)	0
<i>Fund Balance Beginning of Year</i>	2,429	2,429	2,429	0
Prior Year Encumbrances Appropriated	<u>20,224</u>	<u>20,224</u>	<u>20,224</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Permissive License Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$275,000	\$275,000	\$273,483	(\$1,517)
Expenditures:				
Current:				
Transportation				
Contractual Services	150,000	150,000	141,077	8,923
Materials and Supplies	298,196	297,008	273,078	23,930
Other	0	1,000	880	120
<i>Total Expenditures</i>	448,196	448,008	415,035	32,973
<i>Excess of Revenues Under Expenditures</i>	(173,196)	(173,008)	(141,552)	(34,490)
Other Financing Uses:				
Advances Out	0	(84,882)	(84,882)	0
<i>Net Change in Fund Balance</i>	(173,196)	(257,890)	(226,434)	(34,490)
<i>Fund Balance Beginning of Year</i>	240,969	240,969	240,969	0
Prior Year Encumbrances Appropriated	16,921	16,921	16,921	0
<i>Fund Balance End of Year</i>	\$84,694	\$0	\$31,456	(\$34,490)

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for Services	\$564,399	\$564,399	\$389,411	(\$174,988)
Licenses, Permits and Fees	221,633	221,633	200,518	(21,115)
Intergovernmental	341,976	359,976	406,682	46,706
<i>Total Revenues</i>	<u>1,128,008</u>	<u>1,146,008</u>	<u>996,611</u>	<u>(149,397)</u>
Expenditures:				
Current:				
Public Health and Welfare				
Wages and Benefits	1,160,795	1,160,795	1,142,747	18,048
Contractual Services	176,144	175,099	177,119	(2,020)
Materials and Supplies	51,987	53,279	44,137	9,142
Capital Outlay	30,000	36,429	36,408	21
Other	47,126	58,450	52,573	5,877
<i>Total Expenditures</i>	<u>1,466,052</u>	<u>1,484,052</u>	<u>1,452,984</u>	<u>31,068</u>
<i>Excess of Revenues Under Expenditures</i>	(338,044)	(338,044)	(456,373)	(118,329)
Other Financing Sources:				
Transfers In	349,205	349,205	454,394	105,189
<i>Net Change in Fund Balance</i>	11,161	11,161	(1,979)	(13,140)
<i>Fund Balance Beginning of Year</i>	3	3	3	0
Prior Year Encumbrances Appropriated	1,976	1,976	1,976	0
<i>Fund Balance End of Year</i>	<u>\$13,140</u>	<u>\$13,140</u>	<u>\$0</u>	<u>(\$13,140)</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$150,000	\$150,000	\$160,000	\$10,000
Expenditures:				
Current:				
Community Environment				
Materials and Supplies	10,000	10,000	10,000	0
Capital Outlay	144,600	144,600	144,314	286
<i>Total Expenditures</i>	154,600	154,600	154,314	286
<i>Net Change in Fund Balance</i>	(4,600)	(4,600)	5,686	10,286
<i>Fund Balance Beginning of Year</i>	826	826	826	0
Prior Year Encumbrances Appropriated	3,774	3,774	3,774	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$10,286	\$10,286

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Taxes	\$2,400,462	\$2,400,462	\$2,420,808	\$20,346
Intergovernmental	24,314	24,314	44,771	20,457
Interest	5,000	5,000	3,649	(1,351)
Miscellaneous	13,000	16,700	4,596	(12,104)
<i>Total Revenues</i>	<u>2,442,776</u>	<u>2,446,476</u>	<u>2,473,824</u>	<u>27,348</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	1,764,017	1,764,017	1,407,950	356,067
Contractual Services	46,020	46,020	32,257	13,763
Materials and Supplies	111,000	112,200	101,223	10,977
Capital Outlay	343,033	382,805	257,773	125,032
Other	62,700	70,200	62,055	8,145
<i>Total Security of Persons and Property</i>	<u>1,163,385</u>	<u>2,375,242</u>	<u>1,861,258</u>	<u>513,984</u>
Debt Service:				
Principal Retirement	174,850	174,850	174,850	0
Interest and Fiscal Charges	146,503	146,503	146,503	0
<i>Total Debt Service</i>	<u>321,353</u>	<u>321,353</u>	<u>321,353</u>	<u>0</u>
<i>Total Expenditures</i>	<u>1,484,738</u>	<u>2,696,595</u>	<u>2,182,611</u>	<u>513,984</u>
<i>Net Change in Fund Balance</i>	958,038	(250,119)	291,213	541,332
<i>Fund Balance Beginning of Year</i>	257,871	257,871	257,871	0
Prior Year Encumbrances Appropriated	143,216	143,216	143,216	0
<i>Fund Balance End of Year</i>	<u>\$1,359,125</u>	<u>\$150,968</u>	<u>\$692,300</u>	<u>\$541,332</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, Fees and Permits	\$20,000	\$20,000	\$21,946	\$1,946
Expenditures:				
Current:				
Security of Persons and Property				
Other	20,000	20,000	17,716	2,284
<i>Net Change in Fund Balance</i>	0	0	4,230	4,230
<i>Fund Balance Beginning of Year</i>	9,576	9,576	9,576	0
<i>Fund Balance End of Year</i>	<u>\$9,576</u>	<u>\$9,576</u>	<u>\$13,806</u>	<u>\$4,230</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$291,837	\$274,353	\$240,134	(\$34,219)
Intergovernmental	35,508	35,508	35,043	(465)
Miscellaneous	100	100	0	(100)
<i>Total Revenues</i>	<u>327,445</u>	<u>309,961</u>	<u>275,177</u>	<u>(34,784)</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	55,384	55,384	55,384	0
Other	4,000	4,000	3,788	212
<i>Total Security of Persons and Property</i>	<u>59,384</u>	<u>59,384</u>	<u>59,172</u>	<u>212</u>
Debt Service:				
Principal Retirement	17,500	17,500	17,500	0
Interest and Fiscal Charges	34,313	34,313	34,312	1
<i>Total Debt Service</i>	<u>51,813</u>	<u>51,813</u>	<u>51,812</u>	<u>1</u>
<i>Total Expenditures</i>	<u>111,197</u>	<u>111,197</u>	<u>110,984</u>	<u>213</u>
<i>Net Change in Fund Balance</i>	216,248	198,764	164,193	(34,571)
<i>Fund Balance Beginning of Year</i>	<u>11,577</u>	<u>11,577</u>	<u>11,577</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$227,825</u></u>	<u><u>\$210,341</u></u>	<u><u>\$175,770</u></u>	<u><u>(\$34,571)</u></u>

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Fire Pension Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$247,278	\$229,794	\$240,134	\$10,340
Intergovernmental	35,508	35,508	35,043	(465)
<i>Total Revenues</i>	<u>282,786</u>	<u>265,302</u>	<u>275,177</u>	<u>9,875</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	201,628	215,178	122,719	92,459
Other	4,000	4,000	3,787	213
<i>Total Security of Persons and Property</i>	<u>205,628</u>	<u>219,178</u>	<u>126,506</u>	<u>92,672</u>
Debt Service:				
Principal Retirement	32,500	32,500	32,500	0
Interest and Fiscal Charges	63,725	63,725	63,724	1
<i>Total Debt Service</i>	<u>96,225</u>	<u>96,225</u>	<u>96,224</u>	<u>1</u>
<i>Total Expenditures</i>	<u>301,853</u>	<u>315,403</u>	<u>222,730</u>	<u>92,673</u>
<i>Net Change in Fund Balance</i>	(19,067)	(50,101)	52,447	102,548
<i>Fund Balance Beginning of Year</i>	<u>79,253</u>	<u>79,253</u>	<u>79,253</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$60,186</u></u>	<u><u>\$29,152</u></u>	<u><u>\$131,700</u></u>	<u><u>\$102,548</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, Fees and Permits	\$12,000	\$12,000	\$14,526	\$2,526
Expenditures:				
Current:				
Security of Persons and Property				
Contractual Services	10,000	10,000	0	10,000
<i>Excess of Revenues Over Expenditures</i>	2,000	2,000	14,526	12,526
Other Financing Uses:				
Transfers Out	0	(5,000)	(5,000)	0
<i>Net Change in Fund Balance</i>	2,000	(3,000)	9,526	12,526
<i>Fund Balance Beginning of Year</i>	128,453	128,453	128,453	0
<i>Fund Balance End of Year</i>	<u>\$130,453</u>	<u>\$125,453</u>	<u>\$137,979</u>	<u>\$12,526</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, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$10,000	\$10,000	\$15,500	\$5,500
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	10,000	10,000	15,500	5,500
<i>Fund Balance Beginning of Year</i>	<u>71,254</u>	<u>71,254</u>	<u>71,254</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$81,254</u></u>	<u><u>\$81,254</u></u>	<u><u>\$86,754</u></u>	<u><u>\$5,500</u></u>

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Cemetery Fund
For the Year Ended December 31, 2003

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

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Law Enforcement Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, Fees and Permits	\$250,000	\$250,000	\$174,731	(\$75,269)
Interest	2,000	2,000	89	(1,911)
<i>Total Revenues</i>	252,000	252,000	174,820	(77,180)
Expenditures:				
Current:				
Security of Persons and Property				
Other	250,000	250,000	82,016	167,984
<i>Net Change in Fund Balance</i>	2,000	2,000	92,804	90,804
<i>Fund Balance Beginning of Year</i>	589,922	589,922	589,922	0
<i>Fund Balance End of Year</i>	<u>\$591,922</u>	<u>\$591,922</u>	<u>\$682,726</u>	<u>\$90,804</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, Fees and Permits	\$130,000	\$130,000	\$109,165	(\$20,835)
Interest	2,000	2,000	450	(1,550)
<i>Total Revenues</i>	<u>132,000</u>	<u>132,000</u>	<u>109,615</u>	<u>(22,385)</u>
Expenditures:				
Current:				
General Government				
Wages and Benefits	53,366	53,366	53,295	71
Materials and Supplies	8,750	8,750	838	7,912
Capital Outlay	103,492	103,492	1,286	102,206
Other	8,000	8,000	521	7,479
<i>Total Expenditures</i>	<u>173,608</u>	<u>173,608</u>	<u>55,940</u>	<u>117,668</u>
<i>Net Change in Fund Balance</i>	(41,608)	(41,608)	53,675	95,283
<i>Fund Balance Beginning of Year</i>	<u>334,260</u>	<u>334,260</u>	<u>334,260</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$292,652</u></u>	<u><u>\$292,652</u></u>	<u><u>\$387,935</u></u>	<u><u>\$95,283</u></u>

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Legal Research Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, Fees and Permits	\$40,000	\$40,000	\$38,351	(\$1,649)
Expenditures:				
Current:				
General Government				
Wages and Benefits	44,510	45,510	45,060	450
Capital Outlay	7,500	7,500	7,341	159
<i>Total Expenditures</i>	<u>52,010</u>	<u>53,010</u>	<u>52,401</u>	<u>609</u>
<i>Excess of Revenues Under Expenditures</i>	(12,010)	(13,010)	(14,050)	(1,040)
Other Financing Uses:				
Transfers Out	<u>0</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(12,010)	(15,510)	(16,550)	(1,040)
<i>Fund Balance Beginning of Year</i>	<u>114,558</u>	<u>114,558</u>	<u>114,558</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$102,548</u></u>	<u><u>\$99,048</u></u>	<u><u>\$98,008</u></u>	<u><u>(\$1,040)</u></u>

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Municipal Court Security Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, Fees and Permits	\$50,000	\$50,000	\$45,627	(\$4,373)
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	50,000	50,000	45,627	(4,373)
Other Financing Uses:				
Transfers Out	<u>0</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	50,000	47,500	43,127	(4,373)
<i>Fund Balance Beginning of Year</i>	<u>75,864</u>	<u>75,864</u>	<u>75,864</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$125,864</u></u>	<u><u>\$123,364</u></u>	<u><u>\$118,991</u></u>	<u><u>(\$4,373)</u></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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$175,000	\$175,000	\$174,799	(\$201)
Miscellaneous	0	7,230	7,230	0
<i>Total Revenues</i>	<u>175,000</u>	<u>182,230</u>	<u>182,029</u>	<u>(201)</u>
Expenditures:				
Current:				
General Government				
Other	10,000	10,001	7,389	2,612
<i>Total Debt Service</i>	<u>942,413</u>	<u>1,615,526</u>	<u>1,615,525</u>	<u>1</u>
<i>Total Expenditures</i>	<u>952,413</u>	<u>1,625,527</u>	<u>1,622,914</u>	<u>872</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(777,413)</u>	<u>(1,443,297)</u>	<u>(1,440,885)</u>	<u>671</u>
Other Financing Sources:				
Bonds Issued	0	574,500	574,500	0
Notes Issued	774,500	620,000	620,000	0
Transfers In	0	85,293	82,881	(2,412)
<i>Total Other Financing Sources</i>	<u>774,500</u>	<u>1,279,793</u>	<u>1,277,381</u>	<u>(2,412)</u>
<i>Net Change in Fund Balance</i>	(2,913)	(163,504)	(163,504)	(1,741)
<i>Fund Balance Beginning of Year</i>	<u>163,504</u>	<u>163,504</u>	<u>163,504</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$160,591</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$1,741)</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, Permits and Fees	\$357,000	\$357,000	\$357,443	\$443
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	151,320	151,320	17,365	133,955
<i>Excess of Revenues Over Expenditures</i>	205,680	205,680	340,078	134,398
Other Financing Uses:				
Transfers Out	(197,131)	(197,131)	(177,279)	19,852
<i>Net Change in Fund Balance</i>	8,549	8,549	162,799	154,250
<i>Fund Balance Beginning of Year</i>	5,246	5,246	5,246	0
<i>Fund Balance End of Year</i>	\$13,795	\$13,795	\$168,045	\$154,250

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$50,000	\$54,588	\$29,607	(\$24,981)
Miscellaneous	500	500	3,181	2,681
<i>Total Revenues</i>	<u>50,500</u>	<u>55,088</u>	<u>32,788</u>	<u>(22,300)</u>
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	566,913	3,638,643	1,680,437	1,958,206
Capital Outlay	420,000	1,034,100	694,356	339,744
Other	48,294	48,294	14,475	33,819
<i>Total Capital Outlay</i>	<u>1,035,207</u>	<u>4,721,037</u>	<u>2,389,268</u>	<u>2,331,769</u>
Debt Service:				
Bond Issuance Costs	0	355,140	355,140	0
<i>Total Expenditures</i>	<u>1,035,207</u>	<u>5,076,177</u>	<u>2,744,408</u>	<u>2,331,769</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(984,707)</u>	<u>(5,021,089)</u>	<u>(2,711,620)</u>	<u>2,309,469</u>
Other Financing Sources (Uses):				
Bonds Issued	0	4,470,000	4,470,000	0
Premium on Bonds Issued	0	18,064	18,064	0
Transfers Out	(130,000)	(780,473)	(780,472)	1
<i>Total Other Financing Sources (Uses)</i>	<u>(130,000)</u>	<u>3,707,591</u>	<u>3,707,592</u>	<u>1</u>
<i>Net Change in Fund Balance</i>	<u>(1,114,707)</u>	<u>(1,313,498)</u>	<u>995,972</u>	<u>2,309,470</u>
<i>Fund Balance Beginning of Year</i>	1,183,368	1,183,368	1,183,368	0
Prior Year Encumbrances Appropriated	<u>369,229</u>	<u>369,229</u>	<u>369,229</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$437,890</u></u>	<u><u>\$239,099</u></u>	<u><u>\$2,548,569</u></u>	<u><u>\$2,309,470</u></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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines, Fees and Permits	\$65,040	\$65,040	\$73,527	\$8,487
Interest	1,500	1,500	450	(1,050)
<i>Total Revenues</i>	<u>66,540</u>	<u>66,540</u>	<u>73,977</u>	<u>7,437</u>
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	6,786	6,786	6,279	507
Capital Outlay	63,150	101,650	81,410	20,240
<i>Total Expenditures</i>	<u>69,936</u>	<u>108,436</u>	<u>87,689</u>	<u>20,747</u>
<i>Excess of Revenues Under Expenditures</i>	(3,396)	(41,896)	(13,712)	28,184
Other Financing Uses:				
Transfers Out	0	(5,000)	(5,000)	0
<i>Net Change in Fund Balance</i>	(3,396)	(46,896)	(18,712)	28,184
<i>Fund Balance Beginning of Year</i>	146,517	146,517	146,517	0
Prior Year Encumbrances Appropriated	<u>25,583</u>	<u>25,583</u>	<u>25,583</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$168,704</u></u>	<u><u>\$125,204</u></u>	<u><u>\$153,388</u></u>	<u><u>\$28,184</u></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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$1,000,000	\$1,074,000	\$1,073,222	(\$778)
Miscellaneous	2,500	2,500	0	(2,500)
<i>Total Revenues</i>	<u>1,002,500</u>	<u>1,076,500</u>	<u>1,073,222</u>	<u>(3,278)</u>
Expenses:				
Wages and Benefits	449,665	447,596	446,260	1,336
Contractual Services	1,550	1,550	1,438	112
Materials and Supplies	553,827	561,627	545,596	16,031
Capital Outlay	12,000	12,000	0	12,000
Other	3,300	3,300	1,800	1,500
<i>Excess of Revenues Over (Under) Expenses</i>	<u>(17,842)</u>	<u>50,427</u>	<u>78,128</u>	<u>27,701</u>
Advances Out	<u>0</u>	<u>(76,966)</u>	<u>(76,965)</u>	<u>1</u>
<i>Excess of Revenues Over (Under) Expenses and Advances Out</i>	<u>(17,842)</u>	<u>(26,539)</u>	<u>1,163</u>	<u>27,702</u>
<i>Fund Equity Beginning of Year</i>	6,497	6,497	6,497	0
Prior Year Encumbrances Appropriated	<u>21,630</u>	<u>21,630</u>	<u>21,630</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$10,285</u></u>	<u><u>\$1,588</u></u>	<u><u>\$29,290</u></u>	<u><u>\$27,702</u></u>

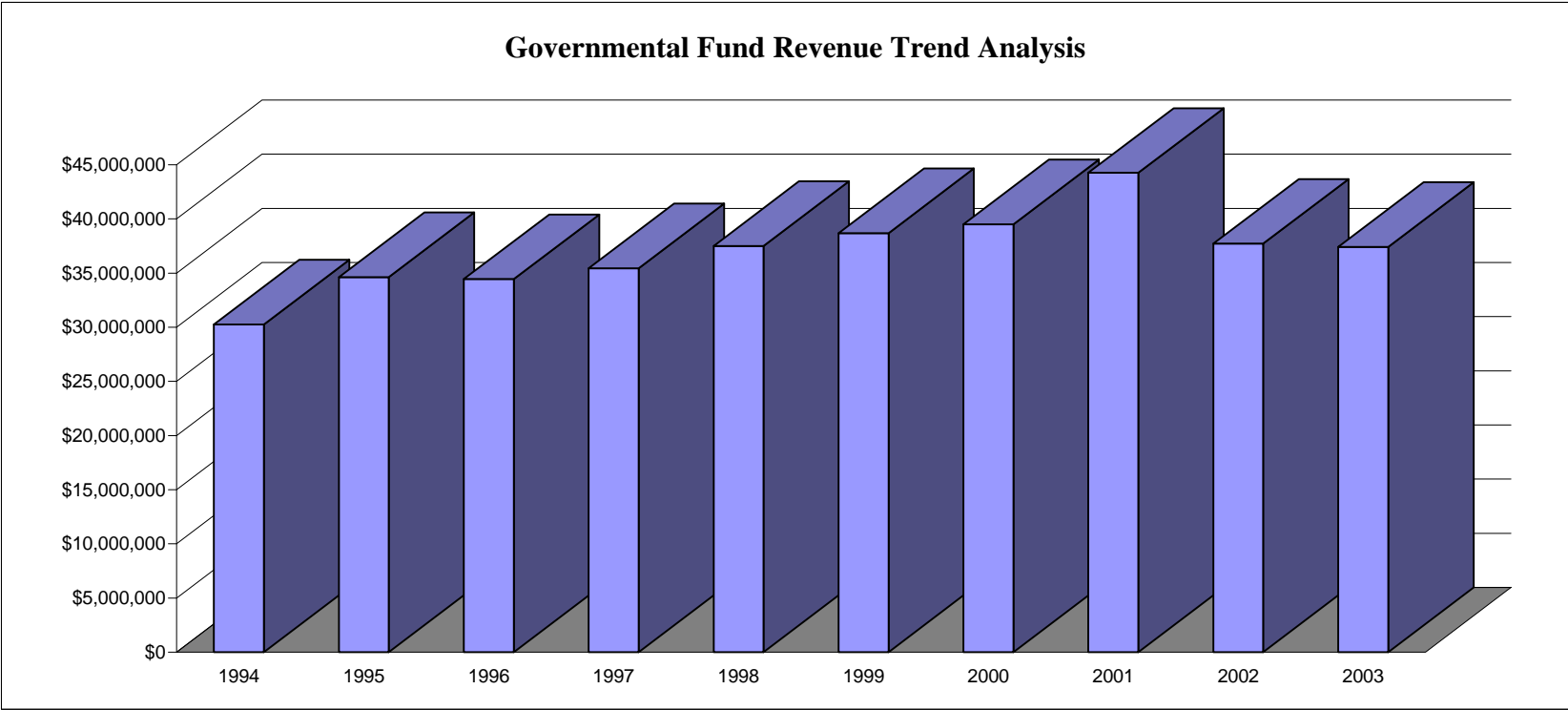
City of Lorain, Ohio
*Schedule of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Non - GAAP Basis)*
Hospitalization Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$4,347,968	\$4,347,968	\$4,116,395	(\$231,573)
Interest	3,000	3,000	501	(2,499)
Miscellaneous	10,000	10,000	20,510	10,510
<i>Total Revenues</i>	<u>4,360,968</u>	<u>4,360,968</u>	<u>4,137,406</u>	<u>(223,562)</u>
Expenses:				
Wages and Benefits	19,196	19,196	18,816	380
Claims	4,009,300	4,009,300	3,607,211	402,089
Other	3,000	3,000	232	2,768
<i>Total Expenses</i>	<u>4,031,496</u>	<u>4,031,496</u>	<u>3,626,259</u>	<u>405,237</u>
<i>Excess of Revenues Over Expenses</i>	329,472	329,472	511,147	181,675
<i>Fund Equity (Deficit) Beginning of Year</i>	<u>(235,189)</u>	<u>(235,189)</u>	<u>(235,189)</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$94,283</u></u>	<u><u>\$94,283</u></u>	<u><u>\$275,958</u></u>	<u><u>\$181,675</u></u>

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

Year	Taxes	Charges for Services	Fines, Licenses and Permits	Inter-governmental	Special Assesments	Interest	Donations	Other	Total
2003	\$20,462,247	\$1,247,753	\$2,444,324	\$12,104,895	\$174,799	\$162,478	\$0	\$814,192	\$37,410,688
2002	19,904,873	1,119,774	3,123,925	12,079,479	324,659	201,577	0	956,052	37,710,339
2001	20,277,128	956,437	2,378,314	19,313,513	158,630	395,523	0	771,020	44,250,565
2000	21,766,763	938,448	2,296,516	13,664,725	179,267	490,884	0	174,536	39,511,139
1999	19,958,146	439,434	2,061,198	14,795,431	215,025	321,895	0	891,588	38,682,717
1998	20,311,699	430,802	2,725,477	12,769,960	322,014	426,823	0	515,976	37,502,751
1997	20,251,077	351,342	2,056,536	11,388,615	429,841	444,923	0	513,513	35,435,847
1996	21,779,583	385,589	1,908,494	9,091,196	471,149	344,016	0	459,089	34,439,116
1995	21,301,019	545,590	1,926,151	9,676,597	555,346	228,752	0	384,041	34,617,496
1994	19,984,868	492,980	1,510,696	7,121,764	554,300	113,348	100,000	382,607	30,260,563

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



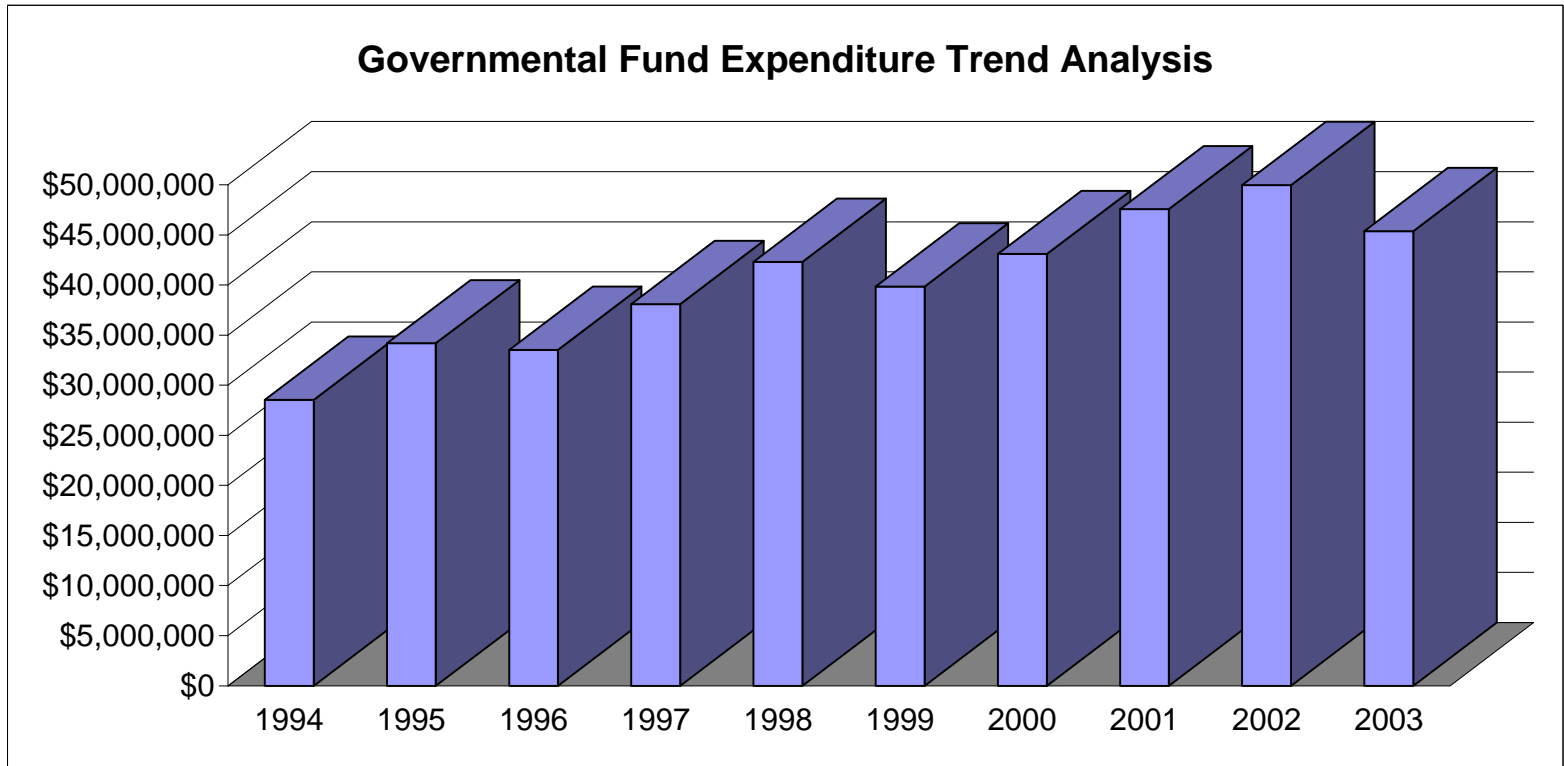
City of Lorain, Ohio
Governmental Fund Expenditures by Function (1)
Last Ten Years

Year	General Government	Security of Persons and Property	Transportation	Public Health and Welfare	Community Environment	Economic Development	Leisure Time Activities	Inter-governmental	Capital Outlay	Debt Service	Total
2003	\$6,772,792	\$16,750,969	\$2,578,166	\$1,711,340	\$653,685	\$24,835	\$1,090,889	\$18,420	\$5,376,919	\$10,392,752	\$45,370,767
2002	6,812,397	17,422,517	1,902,093	1,590,199	612,126	6,887,067	934,524	0	9,240,850	4,569,291	49,971,064
2001	6,675,722	18,345,606	2,552,311	1,723,442	719,872	5,171,564	1,562,013	0	6,323,085	4,493,014	47,566,629
2000	7,007,186	17,944,155	3,647,614	1,780,974	685,051	4,628,864	1,483,343	0	1,677,727	4,235,472	43,090,386
1999	6,569,957	17,237,827	2,665,990	1,723,641	710,623	3,356,598	1,493,082	0	2,938,879	3,148,074	39,844,671
1998	6,546,059	15,760,123	2,557,555	1,594,986	704,649	5,021,472	1,407,498	0	2,434,120	6,292,582	42,319,044
1997	6,947,463	15,322,993	2,826,661	1,832,377	770,878	3,445,537	1,567,121	0	2,849,449	2,530,914	38,093,393
1996	6,303,235	14,356,607	2,492,447	1,567,052	593,131	2,118,978	1,528,519	0	1,918,307	2,645,860	33,524,136
1995	6,196,674	13,791,459	2,729,612	1,464,032	528,943	2,667,513	1,290,460	25,664	2,979,368	2,503,841	34,177,566
1994	5,896,129	12,964,480	1,859,011	1,415,335	568,381	1,564,722	932,646	22,462	921,873	2,392,394	28,537,433

(1) Information is based on modified accrual. Information for full accrual for governmental activities will be presented when there are enough years of information to make comparisons.

Source: Lorain City Auditor

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



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

Year	Real Property		Public Utility Property		Tangible Personal Property		Total		Ratio
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	
2003	\$790,307	\$2,258,020	\$79,468	\$90,305	\$99,373	\$397,492	\$969,148	\$2,745,817	35%
2002	722,732	2,064,949	83,021	94,342	155,636	622,544	961,389	2,781,835	35
2001	714,098	2,040,280	41,910	47,625	161,585	646,340	917,593	2,734,245	34
2000	716,163	2,046,180	64,043	72,776	145,005	580,019	925,211	2,698,976	34
1999	607,363	1,735,324	67,935	77,199	152,995	611,978	828,293	2,424,501	34
1998	605,581	1,730,231	69,159	78,590	147,825	591,300	822,565	2,400,121	34
1997	592,530	1,692,944	72,540	82,432	158,609	634,436	823,679	2,409,812	34
1996	524,374	1,498,213	70,388	79,986	152,707	610,830	747,469	2,189,029	34
1995	510,337	1,458,106	83,334	94,698	127,053	508,212	720,724	2,061,016	35
1994	508,188	1,451,966	80,007	90,917	125,047	500,188	713,242	2,043,071	35

Source: Lorain County Auditor

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

(2) The percentages for 2003 are as follows:

Real property is assessed at 35% of actual value.

Public Utility is assessed at 88% of actual value.

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

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

Year	Current Tax Levy (1)	Current Tax Collections (1)	Percent Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Collections To Current Tax Levy	Outstanding Delinquent Taxes (2)	Percent of Delinquent Taxes To Current Tax Levy
2003	\$3,665,134	\$3,483,359	95.0%	\$132,140	\$3,615,499	98.6%	\$300,673	8.2%
2002	3,458,430	3,232,113	93.5	102,721	3,334,835	96.4	247,367	7.2
2001	3,569,077	3,345,912	93.7	116,101	3,462,013	97.0	251,934	7.1
2000	3,066,578	2,922,999	95.3	115,157	3,038,157	99.1	246,327	8.0
1999	3,183,610	2,910,261	91.4	107,157	3,017,418	94.8	352,399	11.1
1998	3,057,957	2,945,399	96.3	102,854	3,048,253	99.7	185,575	6.1
1997	2,731,861	2,644,441	96.8	80,588	2,725,029	99.7	149,383	5.5
1996	2,733,704	2,649,883	96.9	78,927	2,728,810	99.8	141,597	5.2
1995	2,699,844	2,532,355	93.8	76,274	2,608,629	96.6	229,928	8.5
1994	2,481,747	2,412,367	97.2	75,120	2,487,487	100.2	135,920	5.5

- \$6 -

Source: Lorain County Auditor

(1). State Reimbursement of Rollback and Homestead Exemptions are included.

(2). Penalties and interest are included, since by Ohio Law they become part of the tax obligation as assessment occurs.

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

<u>City of Lorain</u>							
<u>Year</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total City</u>	<u>Lorain County</u>	<u>Special Taxing Districts</u>	<u>Total City and Overlapping Governments</u>
2003	\$3.36	\$0.60	\$1.00	\$4.96	\$12.89	\$62.45	\$80.30
2002	3.36	0.60	1.00	4.96	12.89	62.45	80.30
2001	3.36	0.60	1.00	4.96	10.79	58.98	74.73
2000	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1998	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1998	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1997	3.36	0.60	1.00	4.96	12.69	58.98	76.63
1996	3.36	0.60	1.00	4.96	12.69	58.49	76.14
1995	3.36	0.60	1.00	4.96	11.49	58.49	74.94
1994	3.36	0.60	1.00	4.96	11.49	58.49	74.94

Source: Lorain County Auditor

**City of Lorain, Ohio
Special Assessment Collections
Last Ten Years**

<u>Year</u>	<u>Assessments Due</u>	<u>Collections</u>	<u>Percent Collected</u>
2003	\$1,061,831	\$174,799	16%
2002	1,059,385	324,659	30
2001	1,018,273	158,630	16
2000	1,081,772	179,267	17
1999	1,110,658	215,025	19
1998	1,073,368	322,014	30
1997	1,094,484	429,841	39
1996	1,008,422	471,149	47
1995	1,052,001	555,346	53
1994	1,226,627	588,692	48

Source: Lorain County Auditor

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

Year	Principal	Interest	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Governmental Fund Expenditures (Percentage)
2003	\$1,122,593	\$1,212,519	\$2,335,112	\$50,566,411	4.61%
2002	1,004,593	1,000,482	2,005,075	49,971,064	4.01
2001	939,593	817,863	1,757,456	47,566,629	3.69
2000	754,593	654,743	1,409,336	43,090,386	3.27
1999	909,593	596,557	1,506,150	39,844,671	3.78
1998	832,564	551,619	1,384,183	42,319,044	3.27
1997	817,564	511,231	1,328,795	38,093,393	3.49
1996	815,212	651,906	1,467,118	33,524,136	4.38
1995	550,356	433,376	983,732	34,177,566	2.88
1994	550,356	482,999	1,033,355	28,537,433	3.62

Source: Lorain City Auditor

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

Year	Population	Assessed Value	Gross Bonded Debt (1)	Debt Service Monies Available	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net General Obligation Bonded Debt Per Capita
2003	68,652	\$969,147,530	\$25,967,169	\$365,406	\$25,601,763	2.64%	\$373
2002	68,652	961,389,440	21,419,262	119,769	21,299,493	2.22	310
2001	68,652	917,592,790	13,518,855	198,734	13,320,121	1.45	194
2000	68,652	925,211,158	14,458,448	649,082	13,809,366	1.49	201
1999	69,800	828,293,210	10,363,041	38,753	10,324,288	1.25	148
1998	69,800	822,564,554	9,202,634	465,084	8,737,550	1.06	125
1997	69,800	823,678,974	6,355,198	668,308	5,686,890	0.69	81
1996	71,483	747,469,350	7,172,762	1,066,319	6,106,443	0.82	85
1995	71,483	720,724,541	7,987,974	1,253,250	6,734,724	0.93	94
1994	71,483	713,242,551	5,018,330	1,194,950	3,823,380	0.54	53

- \$10 -

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

City of Lorain, Ohio
Computation of Direct and Overlapping General Obligation Bonded Debt
December 31, 2003

	<u>General Obligation Bonded Debt</u>	<u>Percent Applicable to City (1)</u>	<u>Amount Applicable to City of Lorain</u>
Direct:			
City of Lorain	<u>\$25,967,169</u>	100.00%	<u>\$25,967,169</u>
Overlapping:			
Lorain City Schools	41,093,976	100.00	41,093,976
County of Lorain	<u>25,320,000</u>	18.85	<u>4,772,820</u>
Total Overlapping	<u>66,413,976</u>		<u>45,866,796</u>
Total Direct and Overlapping Debt	<u><u>\$92,381,145</u></u>		<u><u>\$71,833,965</u></u>

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

Source: Lorain City Schools
Lorain County Auditor

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

<u>Fund</u>	<u>Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
Water Pollution Control	2003	\$7,728,255	\$7,399,650	\$328,605	\$480,000	\$268,180	\$748,180	0.44
	2002	7,673,262	6,057,938	1,615,324	465,000	290,547	755,547	2.14
	2001	7,963,116	6,381,124	1,581,992	440,000	311,675	751,675	2.10
	2000	8,739,907	6,347,621	2,392,286	420,000	331,245	751,245	3.18
	1999	8,276,380	5,696,068	2,580,312	400,000	349,495	749,495	3.44
	1998	7,465,131	5,507,841	1,957,290	390,000	366,582	756,582	2.59
	1997	6,904,935	5,222,997	1,681,938	375,000	382,557	757,557	2.22
	1996	7,581,145	4,870,041	2,711,104	200,000	394,045	594,045	4.56
	1995	7,100,160	5,214,605	1,885,555	275,000	817,605	1,092,605	1.73
	1994	7,579,408	4,803,183	2,776,225	255,000	837,024	1,092,024	2.54
Water Works (2)	2003	\$8,249,924	\$6,165,744	\$2,084,180	\$400,000	\$393,397	\$793,397	2.63
	2002	7,958,375	5,679,672	2,278,703	385,000	411,245	796,245	2.86
	2001	7,493,865	4,122,439	3,371,426	365,000	428,053	793,053	4.25
	2000	5,183,848	4,774,381	409,467	350,000	443,608	793,608	-0.5
	1999	5,482,568	5,705,652	-223,084	335,000	458,168	793,168	-0.28
	1998	6,030,207	4,573,306	1,456,901	325,000	471,865	796,865	1.83
	1997	5,726,504	4,675,543	1,050,961	310,000	484,650	794,650	1.32
	1996	5,881,611	5,158,948	722,663	0	408,977	408,977	1.77

(1) Excludes Depreciation

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

Source: Lorain City Auditor

**City of Lorain, Ohio
Legal Debt Margin
December 31, 2003**

	<u>Total Debt Limit</u>	<u>Total Unvoted Debt Limit</u>
Assessed Valuation	\$969,147,530	\$969,147,530
Debt Limitation	101,760,491 10.5 percent	53,303,114 5.5 percent
Total Voted and Unvoted Debt:		
General Obligation Bonds	25,967,169	25,967,169
Special Assessment Bonds	1,012,831	1,012,831
Hud Section 108 Loans	4,955,000	4,955,000
Enterprise Fund General Obligation Bonds	1,885,000	1,885,000
Enterprise Fund Revenue Bonds	12,282,802	12,282,802
Ohio Water Development Authority Loans	25,654,980	25,654,980
Bond Anticipation Notes	3,625,000	3,625,000
OPWC Loans	1,855,801	1,855,801
Real Estate Acquisition Loan	17,787	17,787
Total Voted and Unvoted Debt	<u>77,256,370</u>	<u>77,256,370</u>
Less: Debt Outside Limitations:		
Special Assessment Bonds	1,012,831	1,012,831
Enterprise Fund General Obligation Bonds	1,885,000	1,885,000
Revenue Bonds	12,282,802	12,282,802
Ohio Water Development Authority Loans	25,654,980	25,654,980
Total Debt Outside Limitations	<u>40,835,613</u>	<u>40,835,613</u>
Total Debt Applicable to Limitation within 10.5%	36,420,757	
Total Debt Applicable to Limitation within 5.5%		36,420,757
Less: Amount Available in Debt Service Fund	<u>365,406</u>	<u>365,406</u>
Net Debt Within 10.5% Limitation	36,055,351	
Net Debt Within 5.5% Limitation		<u>36,055,351</u>
Overall Debt Margin Within 10.5% Limitation	\$65,705,140	
Overall Debt Margin Within 5.5% Limitation		<u><u>\$17,247,763</u></u>

Source: Lorain City Auditor

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

Year	Estimated Actual City Property Value (1)	New Construction			County Bank Deposits (2, 3)
		Agriculture/ Residential	Commercial Industrial	Total	
2003	\$2,745,815,731	\$7,627,100	\$2,812,100	\$10,439,200	\$649,005,000
2002	2,781,834,692	8,212,470	2,129,870	10,342,340	614,592,000
2001	2,734,245,060	4,161,790	3,056,870	7,218,660	555,591,000
2000	2,698,975,841	5,315,310	2,581,840	7,897,150	513,102,000
1999	2,424,501,221	5,782,570	6,079,500	11,862,070	463,993,000
1998	2,400,122,000	3,552,310	2,478,800	6,031,110	444,974,000
1997	2,409,811,422	5,100,610	2,873,810	7,974,420	1,381,977,000
1996	2,189,029,000	2,517,540	10,517,990	13,035,530	1,744,502,000
1995	2,061,016,000	2,455,480	1,381,910	3,837,390	1,628,133,000
1994	2,043,071,000	1,757,400	1,134,360	2,891,760	1,517,978,000

Sources:

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

**City of Lorain
Ten Largest Real Property Taxpayers
December 31, 2003**

Taxpayer	Real Property Assessed Valuation	Percentage of Total Real Property Assessed Valuation
First Energy Generation	\$40,810,560	5.16%
Ohio Edison Company	19,016,800	2.41
Ford Motor Company	15,395,980	1.95
Century Telephone	7,815,790	0.99
American Transmission	7,708,940	0.98
Republic Technologies Int'l (1)	7,312,620	0.93
Society National Bank	3,886,520	0.49
Oster Construction	2,792,860	0.35
Reliance Comm/Tec (2)	2,385,870	0.30
United States Steel LLC	2,243,330	0.28
Total of Above	<u><u>\$109,369,270</u></u>	<u><u>13.84%</u></u>
Total City Valuation	<u><u>\$790,306,870</u></u>	

(1) Formerly USS/Kobe Steel Company

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

Source: Lorain County Auditor

City of Lorain, Ohio
Ten Largest Personal Property Taxpayers
December 31, 2003

Taxpayer	Personal Property Assessed Valuation	Percentage of Total Personal Property Assessed Valuation
Republic Engineered	\$17,955,670	18.07%
United States Steel	17,070,660	17.18
Ford Motor Company	11,769,690	11.84
Marconi Communications	9,795,850	9.86
Parnassos L.P.	2,195,540	2.21
North Shore Sales Company	2,147,210	2.16
Lisn, Inc.	1,752,570	1.76
Praxair Inc.	1,684,210	1.69
General Electric Credit	1,459,280	1.47
National Gypsum Company	1,295,940	1.30
Total of Above	<u><u>\$67,126,620</u></u>	<u><u>67.55%</u></u>
Total City Valuation	<u><u>\$99,372,980</u></u>	

Source: Lorain County Auditor

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

Year	Population (1)	School Enrollment (2)	Average Unemployment Rate Lorain County (3)
2003	68,652	10,322	6.6%
2002	68,652	10,655	6.6
2001	68,652	10,813	5.8
2000	68,652	10,619	5.4
1999	69,800	10,571	3.4
1998	69,800	10,634	3.6
1997	69,800	10,576	6.1
1996	71,483	10,684	7.8
1995	71,483	10,615	5.1
1994	71,483	10,923	4.4

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

City of Lorain, Ohio
Ten Largest Employers in the City
December 31, 2003

Employer	Nature of Activity or Business	Number of Employees
Community Health Partners (Health Center)	Health care	1,803
Ford Motor Company (Lorain Plant)	Automobile manufacturing control center	1,677
Lorain City School District	Education	1,493
Republic Technologies Int'l	Steel manufacturing	1,073
City of Lorain	Government	539
Marconi Communications	Telecommunications equipment	537
Lorain Tubular	Steel manufacturing	410
CAMACO, Inc.	Automotive Seating System Solutions	262
Ohio Extended Care	Health Care	235
The Nord Center	Health Care	230

Source: Individual Employers

**City of Lorain, Ohio
Miscellaneous Information
December 31, 2003**

Government:	Date of Incorporation	1874
	Form of Government	Mayor/Council
Area:	23.8 square miles	
Streets:	Miles of Streets	279
Traffic Lights:		528
Fire:	Fire Protection:	
	Number of Stations	4
	Number of Firemen and Officers	86
Police:	Police Protection:	
	Number of Stations	1
	Number of Sub-Stations	3
	Number of Policemen and Officers	99
Rescue Service:	Rescue Service:	
	Number of Stations	1
	Number of Rescue Personnel	68
Recreation and Culture:	Number of Parks	57
	Number of Libraries	2
Employees:	Seasonal (Summer Help)	177
	Permanent Part Time	22
	Full Time	517

City Employees are represented by the following bargaining units:

Lorain Firefighters Association - International Association of Firefighters	85
Fraternal Order of Police - Lodge No. 3, Lorain	77
Fraternal Order of Police - Lodge No. 3, Lorain - Promoted Unit	22
Ohio Police Benevolent Association (Correction Officers)	9
Ohio Police Benevolent Association (Dispatchers)	14
United Steelworkers - Local 6621	196

Source: Lorain City Auditor

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City Of Lorain, Ohio

SINGLE AUDIT REPORTS

DECEMBER 31, 2003

CITY OF LORAIN, OHIO

FOR THE YEAR ENDED DECEMBER 31, 2003

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CPAs and Business Advisors

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

Members of the City Council
City of Lorain, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain (the "City") as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2004, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 34. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 03-1 and 03-2. We also noted a certain immaterial instance of noncompliance, which we have reported to management of the City of Lorain in a separate letter dated July 26, 2004

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated July 26, 2004.



C&P Advisors, LLC

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National Investor Services, Ltd.

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Members of the City Council
City of Lorain, Ohio

This report is intended solely for the information and use of the City Council, Finance Committee, Management, 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.

Ciini & Panichi, Inc.

Cleveland, Ohio
July 26, 2004

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

Members of the City Council
City of Lorain, Ohio

Compliance

We have audited the compliance of the City of Lorain (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 material noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 of 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, 2003.

Members of the City Council
City of Lorain, Ohio

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2004, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 34. 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, Finance Committee, Management, 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.

Cuini & Panichi, Inc.

Cleveland, Ohio
July 26, 2004

CITY OF LORAIN, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Awarding Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing And Urban Development			
Community Development Block Grant (CDBG)			
Small Cities Cluster:			
Community Development Block Grant	14.218		\$ 2,051,601
Section 108 Program	14.218		<u>62,685</u>
Total CDGB Program			<u>2,114,286</u>
HOME Investment Partnership Program	14.239		<u>1,020,465</u>
Total U.S. Department of Housing and Urban Development			<u>3,134,751</u>
Department of Transportation			
Passed Through the Ohio Department of Transportation			
Highway Planning and Construction	20.205	03N033	32,640
Passed Through the Ohio Department of Public Safety			
Safety and Community Highway Safety Grant	20.600	GR#3119.0	<u>36,120</u>
Total Department of Transportation			<u>68,760</u>
U.S. Department of Health and Human Services			
Passed Through the Ohio Department of Health			
Tobacco Prevention Grant	93.994	47-2-002-2-CJ-02	721
Tobacco Prevention Grant	93.994	03-2-132	<u>39,275</u>
Total Tobacco Prevention Grant			<u>39,996</u>
Cardiovascular Health Grant	93.991	47-2-002-2-ED-03	<u>45,982</u>
Total U.S. Department of Health and Human Services			<u>85,978</u>
U.S. Department of Justice			
Local Law Enforcement Block Grant	16.592	2002-LB-BX-1655	75,097
Bulletproof Vest Partnership Program	16.607		<u>56,139</u>
Total U.S. Department of Justice			<u>131,236</u>
Total Federal Awards Expenditures			\$ <u>3,420,725</u>

The accompanying notes are an integral part of this schedule

CITY OF LORAIN, OHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2003

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 4 loans from the HUD under Section 108 of Title 1 of the Housing and Community Development Act, as amended. The funds were used in connection with economic development of local businesses. Principal and interest payments are due semi-annually. The loans and related activities have not been reflected in the Schedule of Federal Awards. The terms and balances due as of December 31, 2003 are as follows:

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Length of Term</u>	<u>Balance at December 31, 2003</u>
December 15, 1992	\$ 2,200,000	20 years	\$ 990,000
December 15, 1992	200,000	20 years	90,000
June 14, 2000	2,500,000	19.5 years	2,000,000
August 8, 2002	2,000,000	19 years	1,875,000

CITY OF LORAIN, OHIO

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

DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(I)(I)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	HOME Investment Partnership Program CFDA # 14.239
(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

03-1 Ohio Revised Code 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had deficit cash balances at December 31, 2003:

General Fund	\$ 1,672,003
Special Revenue Fund Fire Pension	5,098

CITY OF LORAIN, OHIO

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

DECEMBER 31, 2003

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

03-2 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, 2003, the City had expenditures plus encumbrances in excess of appropriations as follows:

<u>Major Funds</u>	<u>Excess</u>
General Fund	
Judges	
Wages and Benefits	\$ 2,512
Safety/Service Director	
Wages and Benefits	2,021
Contractual Services	664,224
Data Processing	
Wages and Benefits	195
Police Department	
Wages and Benefits	449,280
Fire Department	
Wages and Benefits	209,127
Cemetery	
Wages and Benefits	1,215
Parks and Recreation	
Wages and Benefits	110,757
Contractual Services	2,189
Materials and Supplies	541
Other Financing Uses	
Transfers Out	1,243,508
Water Works	
Personal Services	15,902
Utilities	7,601
Water Pollution Control	
Utilities	2,262
<u>Nonmajor Funds</u>	
Street	
Wages and Benefits	10,602
Health Services	
Contractual Services	2,020

3. FINDINGS FOR FEDERAL AWARDS

There were no findings for federal awards to report in 2003.

CITY OF LORAIN, OHIO

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

DECEMBER 31, 2003

Finding No.	Finding Summary	Fully Corrected	Explanation
02-1	<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, 2002, 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 2003.
02-2	<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, 2002, 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 2003.

CITY OF LORAIN

**200 WEST ERIE AVENUE, 6TH FLOOR
LORAIN, OHIO 44052
(440) 204-2090**

**RESPONSE TO FINDINGS ASSOCIATED WITH AUDIT CONDUCTED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
FOR THE YEAR ENDED DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
03-1	Management will monitor fund balances and properly advance funds to cover deficit fund balances, if necessary.	N/A	Ronald Mantini, Auditor
03-2	Management will monitor expenditures and encumbrances and amend appropriations, if necessary.	N/A	Ronald Mantini, Auditor



**Auditor of State
Betty Montgomery**

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CITY OF LORAIN

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2004**