

City of Lorain, Ohio



Comprehensive Annual Financial Report

For the Year Ended December 31, 2005



**Auditor of State
Betty Montgomery**

Honorable Mayor and Members of Council
City of Lorain
200 West Erie Avenue
Lorain, Ohio 44052

We have reviewed the *Independent Auditors' Report* of the City of Lorain, Lorain County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 23, 2006

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City of Lorain, Ohio



Comprehensive Annual Financial Report

For the Year Ended December 31, 2005

Ronald L. Mantini
Lorain City Auditor

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For the Year Ended December 31, 2005
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The City of Lorain, Ohio

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June 9, 2006

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, 2005. This CAFR was prepared by the Lorain City Auditor's Office. Management is accountable for the accuracy of the data and the completeness and fairness of the material presented, including all disclosures. We consider the information contained herein to be precise in all aspects relating to the City's financial activities and statistical data. This report was designed in a manner so that the reader may obtain a thorough and optimal understanding of the City's financial affairs, basic operations and general composition. Copies will be made available to all interested parties. This is the City's third year of reporting under the GASB 34 reporting model.

The Comprehensive Annual Financial Report is presented in three sections:

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

Reporting Entity

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

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

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

THE CITY OF LORAIN

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

Lorain's population based on the 2000 census 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 2005, new construction of agriculture/residential property and commercial/industrial property totaled \$8,929,890 and \$3,806,640 respectively.

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

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

CITY GOVERNMENT

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

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

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

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

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

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

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

MAJOR INITIATIVES AND ACHIEVEMENTS

Auditor's Office

The Management Information Systems department completed the following major projects in 2005

- Installation of an Exchange Server allowing shared calendars thus increasing productivity and use of email.
- Bar Code scanning in Income Tax department
- Software upgrades to AS400
- Email Spam, Fraud and Phishing software implemented
- Added new detective bureau on to network along with computerized monitoring of Heating and Cooling systems.
- Computerized door system and video monitoring in the Police Station
- Added Fiber optics enabling gigabit communications
- Continued upgrade of PCs

The City of Lorain continues to update it's web site. In 2005, the Fire Department and the Community Development sections of the web site continued their development. They are approximately 50 percent completed and should be completed by the third quarter of 2006. The Utilities department section began development in 2005 and should be completed by the end of 2006.

Lorain Health Department

- **Administration: Job Description Review** – Existing job descriptions within the Lorain City Health Department were reviewed by the administration with individual staff members and supervisors and changes were established by the Board of Health. Changes were forwarded to the

Lorain Civil Service Commission for adoption. ***Re-Organization of Administrative File System*** – All files were systematically reviewed and purged to ensure proper filing and easy access. Obsolete files were categorized and boxed for proper record retention and disposal.

- **Environmental: *Division Procedures*** – All program procedures of mandated and nonmandated programs were reviewed and updated where needed. ***Radiation Safety Procedures*** – Radiation Employee Safety Procedures were reviewed and updated within the internal safety manual to maintain compliance with the Ohio Department of Health Radiological Division.
- **Nursing: *Quality Assurance Monitoring*** – Engaged in Quality Assurance Monitoring Activities on a quarterly basis following the Public Health Improvement Standards for local health departments.
- **Public Health Preparedness: *Awareness for terrorism and personal health/safety for employees*** – Training database was created and updated monthly, training opportunities were posted on the bulletin board. NIMS IS700 training was completed by all staff. Safety manual, radio communications, and disaster manual were updated and distributed. Evacuation procedures were developed and implemented-unannounced fire drill was conducted. ***Protocol for shipping hazardous and/or infectious substances*** – SAF-T-PAK was implemented along with training to staff. Documents were developed that contain the procedures and requirements of shipping these substances. ***Deliver mass vaccination clinics*** – Flu clinic informational packets were distributed to staff, clinics held in October and November that tested ICS (incident command structure) and surge capacity.

According to the **Lorain Municipal Court's** Annual Report, there were 17,116 cases filed during 2005. This included 5,134 Criminal Cases and 8,822 Traffic Cases. In addition to the Criminal and Traffic cases, 2,904 new civil cases were filed. In the Small Claims Division a total of 256 cases were filed. The court also performed 80 marriage ceremonies.

Lorain Police Department

- In 2005, the Lorain Police Department had 46,321 calls for service. This resulted in the following statistics:
 - 2,536 arrests
 - 20 arrests for major offenses such as murder and rape
 - 316 arrests for major offenses such as robbery and aggravated assault
 - 161 arrests for major offenses such as vehicle theft
 - 171 arrests for DUI
 - 1,620 Motor vehicle accidents
- In response to the high school dropout rate and incidence of drug abuse and related crime, particularly among economically disadvantaged youth, in 2003, the Lorain Police Department implemented a program called ***Do The Right Thing***, which was formed as a partnership with the Lorain City Schools and the Morning Journal. The program is designed to positively impact the youth of our area by publicly recognizing children who distinguish themselves through their behavior and by establishing them as role models for their peers. In the 2004-2005 school year, 27 students were selected as ***Do The Right Thing*** winners. A total of 52 students were nominated. In 2005, the department once again sponsored a “Do The Right Thing Back to School Festival.” Bags of school supplies were distributed to 3,000 children at the festival. Since the program’s inception, 361 students have been nominated and 134 have been selected as winners.

- Each year the department operates Lorain Safety Town. The Lorain Police Safety Town Program is a partnership between the City of Lorain, Lorain City Schools and the Lorain City School PTA. Safety Town was conducted at the Lorain Police Safety Town, located adjacent to Southview High School. The one week program is designated for children entering kindergarten in the fall. In 2005, approximately 325 children participated and graduated from the program.
- In 2005, the Lorain Police Department's Neighborhood Watch program continued to train and encourage residents to actively take part in crime prevention in their neighborhoods. There were three new neighborhoods that took part in the Neighborhood Watch program in 2005. This year the program took another direction in the training of elderly disabled citizens on home and personal safety. A Neighborhood Watch Council was also formed to better aid citizens in stopping criminal activity in the community.
- The School Resource Officer Program is a partnership with the Lorain City Schools that dates back 17 years. During 2005 the School Resource Officer Program was expanded to four officers as the result of a \$250,000, three year grant from the U.S. Department of Justice. The officers were assigned to Lorain Southview High School, Whittier Middle School, Longfellow and General Johnny Wilson Middle Schools, and Lorain Admiral King High School. The focus of this program in 2005 was to assist the Lorain City Schools in the implementation of recommendations put forth by the District's Safety Task Force and the Community Forum of Lorain Schools. The efforts of this program have resulted in enhanced safety and security for both staff and students and a vast improvement in the environment and image of our school system.
- The Lorain Police Department applied for and received 5 grants totaling over \$350,000 in 2005.
- The first phase of the Police station renovation, the construction of a detective wing, sally port, asbestos abatement, new city hall entrance and site improvements, was completed in 2005. Phase II, the remodeling of the existing patrol offices, is scheduled to begin in 2006.

The **Lorain Parks and Recreation Department** provides the citizens with a wide variety of activities in 57 parks throughout the City, covering 868 acres. The Recreation Department sponsored several successful programs for Lorain's school-age children. The Santaland at Lakeview Park attracted over 3,200 visitors last year. Easterland, which was held at both Oakwood and Lakeview Parks, had a total of 1,100 children meet with the Easter Bunny. The Halloween Parade and costume-judging contests had nearly 400 participants.

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

- The **Billing division** saw an increase in the usage of credit cards – 45 percent increase in transactions and 59 percent in charge amount.
- The **Purification** department had many minor improvements during 2005. In addition, a security plan was reviewed with the Lorain Police Department and a risk vulnerability study was completed. As a result, security was updated throughout the plant by replacing all locks, locking all doors and gates 24 hours a day seven days a week, instituting a visitor's sign in procedure, security cameras were installed in the generator room, the main gate camera was upgraded and more security lights were installed around the plant.

- The **Water Distribution** department works to maintain the City of Lorain water line infrastructure, fire hydrants and service connections to provide the citizens of Lorain with a dependable and safe water supply. The main project for this department in 2005 was to organize, quantify and maintain a data base of all City fire hydrants in response to some media scrutiny. During 2005, the department repaired, installed and replaced 221 fire hydrants. In addition, the department installed 139 new and 56 replacement water connections and taps.
- The **Black River Wastewater Treatment Plant** is a 54 year old facility that requires yearly improvements to insure dependability. There were 16 significant repairs made to the plant in 2005 and 7 major repairs to pump stations.
- The **Phillip Q. Maiorana Wastewater Treatment Plant** installed new digital chlorine scales and added an automatic emergency valve actuator which will automatically close valves in the case of a chlorine leak. The PQM plant has also going through a total upgrade of its communication system. A new fiber optic line was installed and a new Compact Logix Controller was installed. This upgrade will continue into 2006.
- The Sewer Collections Department is responsible for the maintenance and repair of the sanitary and storm sewer system which includes 280 miles of interceptors and mains and over 4,000 manholes. In 2005, the department cleaned over 84 miles of sanitary sewers, 6,051 feet of storm sewers and 3,743 feet of ditches.
- Many of the current developments in the City were overseen by the **Engineering Department**. The Martin's Run housing development, Deerfield housing development, New Century Village housing development, Elmwood Cemetery, Victory Avenue and the local roadway rehabilitation project were just some of the many projects they were involved in during 2005. The Engineering Department oversaw the installation of 8,760 feet of water lines and 164 water taps. The department is also responsible for the City's Backflow Prevention Program (completed 679 tests).

ECONOMIC CONDITIONS AND OUTLOOK

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

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

Primary Employers. *Community Health Partners (CHP)* is the City's largest employer with 1,865 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 375 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 1,616 employees, announced in January 2002 plans to restructure and eliminate 35,000 jobs worldwide in an effort to enhance

profitability. Ford announced in 2004 that it would close its Lorain Assembly Plant by the end of 2005 and send all Econoline van production to the Ohio Assembly Plant in nearby Avon Lake. The Lorain Ford Plant was officially closed on December 23, 2005. No employees will remain at the Lorain Assembly Plant. The closing of the Plant will materially adversely affect the City. The City is expecting to lose \$2.2 million a year in municipal income tax revenue, \$58,300 in personal property tax revenue, \$55,816 in real estate taxes, \$258,000 in water revenue and \$290,500 in sewer revenue depending on what is done with the existing facility.

The *Lorain City School District* (the "School District") is the City's third largest employer with over 1,150 employees. In November 2001, the electors of the School District, located wholly within the City, approved a \$41 million bond issue to pay the local share of an estimated \$216 million classroom facilities improvement project. The City estimates that this project will result in \$3.5 million in income taxes for the City over the next 10 years from construction jobs and building permits. In 2004, one new elementary school was opened (total cost of \$8,097,896). In 2005, four new elementary and two new middle schools were opened (total estimated cost of \$56,692,059). Plans call for two more new schools to begin construction in 2006.

Republic Engineered Products ("REP") is North America's leading supplier of high-quality steel bars and is the City's fourth largest employer with 1,100 employees. In July of 2005, REP was purchased by Industrias CH, S.A. de C.V and its subsidiary, Grupo Simec of Guadalajara, Mexico. REP will become a subsidiary of Grupo Simec and continue to operate as a standalone business. REP's products are used in applications in the automotive, agricultural, aerospace and energy industries. REP, together with Grupo Simec, will become the largest producer of special bar quality steel in North America. 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 485 in the City, and generates approximately \$250 million in annual sales.

Emerson Network Power, Energy Systems, North America, Inc. – Emerson Electric purchased Marconi Communications in August 2004. Emerson Electric is a major global communications company that delivers communications services for networks, wireless and enterprise customers. During 2003, Marconi closed its North Ridgeville, Ohio, office and relocated approximately 160 jobs to the City. With that relocation, Marconi had 400 employees in the City. On August 12, 2003, Marconi announced that it was ceasing the operations of its manufacturing division located in the City and that approximately 230 jobs would be eliminated over 18 months. The closing cost the City an estimated \$150,000 in income tax revenues in 2004. The City lost approximately \$500,000 annually in income tax revenues as a result of Marconi's 2001 reorganization and worldwide workforce reduction. The City believes that the impact of this closing on its real and personal property tax revenues on an ongoing basis will be minimal. Emerson Network Power now employs 308 workers at its offices in the City.

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

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

- **HarborWalk**, 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, nautical boutiques, restaurants, a health club, a boardwalk and pier, a commercial fishing village and a 34,000 square foot commercial center. The HarborWalk Project involves an area which includes the former shipyard section of the City's downtown riverfront. A 19-acre Riverside Marina (\$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:

- On October 1, 2000, the City issued its first series of urban renewal bonds for HarborWalk Phase I - \$4.85 million in City-backed tax-increment financing bonds for land acquisition and public improvements, and City-granted tax abatements.
- \$1 million of State roadwork development grants (awarded in 2001)
- \$485,000 in State roadwork loans at a 0 percent interest rate - 2001
- On June 15, 2003, the City issued its second series of urban renewal bonds for HarborWalk Phases II and III 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.

- Project activity and status is as follows:

- 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 complete.
- Spitzer Great Lakes, Ltd, Company began construction of the first phase of residential structures in April 2002.
- A contract was awarded and construction for the second phase of public improvements began in the summer of 2003. The improvements were completed in the winter of 2005.
- The Lorain Planning Commission and Lorain City Council approved a modification of the planned unit development in 2005 to increase the number of units from 96 to 144 units and changed the configuration from townhomes to garden flats. The total number of units planned is now 478 units.
- As of December 31, 2005, 125 units have been sold and two homes are being used as models. An additional 13 units are constructed and for sale. A total of 140 units have been constructed with total sales of approximately \$25 million. Construction of new units will continue through 2006.

- **Colorado Industrial Park** - The City acquired 24 acres of land in 1997 to begin the development of the industrial park. In 1998 an additional 10 acres was added. The City, in 2003, completed negotiations and entered into a purchase agreement for the acquisition of additional property for the expansion of the Colorado Industrial Park. City Council authorized the acquisition of approximately 408 acres from U.S. Steel to be used to expand the Colorado Industrial Park. The property was transferred to the City in 2004. Approximately 178 acres are developable with 35 of those acres being located in Sheffield Village. The remainder is occupied by a landfill and wetlands.

The City received approval in 2000 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. These funds were used to improve the existing portion of the industrial park and to help fund the expansion of Camaco, LLC. The City applied for and received approval in 2005 for an additional \$2.2 million HUD Section 108 loan for expansion of the Colorado Industrial Park. The City applied for and received approval in 2005 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. In 2005, the City was

awarded an Urban Redevelopment Loan of \$2.3 million from the Ohio Department of Development. In 2005, the City also received a \$500,000 State Roadway Development grant that supplemented another State grant that had a balance of approximately \$500,000 for the project.

The City has sold three acres to a day care provider and they have completed their construction. They opened the facility in September of 2005, employing 14 full time equivalent employees and providing a valuable service that will assist in the development of the industrial park. The City is currently working with other developers on lot sizes that range from 3 to 10 acres.

The City has hired an engineer to design the first phase of public infrastructure, 6,000 linear feet of roadway with necessary appurtenances including sanitary sewer, storm water management, street lighting and signage, among other things. Construction is expected to begin in the late spring, early summer of 2006 and should be substantially complete by September 2006. This project will allow for approximately 75 acres of light industrial and commercial development within the City.

- **Lighthouse Village:** The City has received and adopted the Lighthouse Village Urban Renewal Plan. Within the plan area is a development site of approximately 65 acres controlled by Lighthouse Village, LLC. Their proposed development of an approximately 500,000 square foot retail facility will be anchored by Kohl's Department Store and Home Depot. This project is expected to generate approximately \$40 million in private investment and \$100 million in annual sales. The Lighthouse Village development is estimated to create 950 new jobs with an annual payroll of \$17 million.

- The City will be entering into development agreements to redirect a portion of the real estate taxes, in the form of tax increment financing (TIF), to improve Leavitt Road at Tower Blvd. and at Jaeger Road, fully improve and widen Jaeger Road, and fully improve and widen Kolbe Road.
- The Kohl's store is expected to be open in fall of 2006 and Home Depot in the spring of 2007.

- **Lorain West Urban Renewal Plan:** The City has received and adopted the Lorain West Urban Renewal Plan.

- This plan area includes the Amherst Development Co. LLC. (aka Heritage Development) with their 200 plus housing subdivision and retail center of approximately 250,000 square feet, of which half would be in the City of Lorain. The City is planning on entering into a development agreement with Amherst Development to use the TIF proceeds to improve Oak Point Road, partially fund the construction of a new water tower on the west side, and construct other public improvements identified in the plan as needed.
- The Plan Area also includes the Ford Assembly Plant. The Urban Renewal Plan will allow the City to work aggressively with the private market to bring this land back into active use once Ford announces the sale of the facility which is expected in the summer of 2006. The plan provides for new zoning classifications that can be readily adopted, and puts in place a TIF district to allow the City to work with the developer to make the necessary public improvements to allow the 225 plus acres to be subdivided and marketed quickly.

- **Loan Portfolio** - The Department of Community Development operates several loan funds:
 - The Department operates several business development revolving loan funds that are funded by various Federal sources including the Community Development Block Grant Program and the Economic Development Administration Title IX Program. Currently the City has made a total of approximately 60 plus loans lending more than \$13.5 million and leveraging more than \$23.6 million in private financing. These loans have created or retained approximately 1,420 jobs and generated more than \$33 million in annual payroll and more than \$670,000 annually through income taxes paid to the City.

- The Department also operates a housing rehabilitation loan fund for home-owners that addresses the housing stock within the City. This program is funded by the HOME Investment Partnership funds and Community Development Block Grant funds. The City averages approximately 20 rehabilitations a year and \$500,000 in improvements annually.

A voter-approved one-mill property tax levy for the **Lorain Port Authority** (renewed in 2004) generates approximately \$900,000 a year, enabling the Port Authority to pursue a variety of economic development projects.

In the area of housing:

- The City Planning Commission in 2000 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 were approved in 2001 by City Council. Construction began in 2002, and 204 homes have been completed as of December 31, 2005.

- **Deerfield** is a housing/retail development in the City on the west side of Oak Point Road. Plans for the development call for 192 single-family homes in the \$170,000 to \$230,000 price range. The community itself offers two popular features -- a pool and clubhouse -- which contribute to a delightful quality of life. A 35 acre retail shopping plaza is also planned. Construction on the housing development began in 2003 and 58 homes have been completed as of December 31, 2005.

Voters supported the rezoning for Heritage Development Co.'s Deerfield subdivision, proposing 245 single-family homes with a shopping plaza on 35 acres along Oak Point Road, in the November 2003 election.

- **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 \$180,000 to \$225,000 price range. Construction began in 2002 and 11 homes have been completed as of December 31, 2005.

- **"La Cote de Lac"**, a \$10 million lakefront condominium project is being built on the City's west side and will contain 24 upscale townhouse units and nine 5,000 square foot lake view homes having walk up access to 700 feet of natural beach with prices starting at \$500,000. The project 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 issued permits for this project in 2002. Water and sewer lines were installed in 2002. The break wall was installed and roads were completed in 2003. Thirteen units and a clubhouse were completed as of December 31, 2005. An additional four townhouses are expected to be completed during 2006.

- During 2001, the City commenced construction of six affordable single-family residences as part of its **Affordable In-Fill Housing** program. The Program's aim is to enhance City neighborhoods by erecting new houses which are consistent with surrounding residences. Neglected vacant lots are improved with quality built homes. Such homes are available to low and moderate income families who meet certain HUD guidelines. Since 2001 the City has completed construction of 24 homes and has sold 21 of them. An additional six houses are under construction.

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. In addition, the Board of Control, consisting of the Mayor and Safety/Service director, review and approve all purchases between \$5,000 and \$25,000.

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 prepares 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 2005.

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, 2005. 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, 2005. The 2005 Independent Auditors' Report, issued by Ciuni & Panichi, Inc. gave a clean, unqualified opinion. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996. The Independent Auditors' Report on the basic financial statements is included in the financial section of this report. Copies of the Single Audit Reports may be obtained from the City Auditor's Office.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2004.

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 eleven consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for review.

ACKNOWLEDGMENTS

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

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

Sincerely,



Ronald L. Mantini
Lorain City Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lorain,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

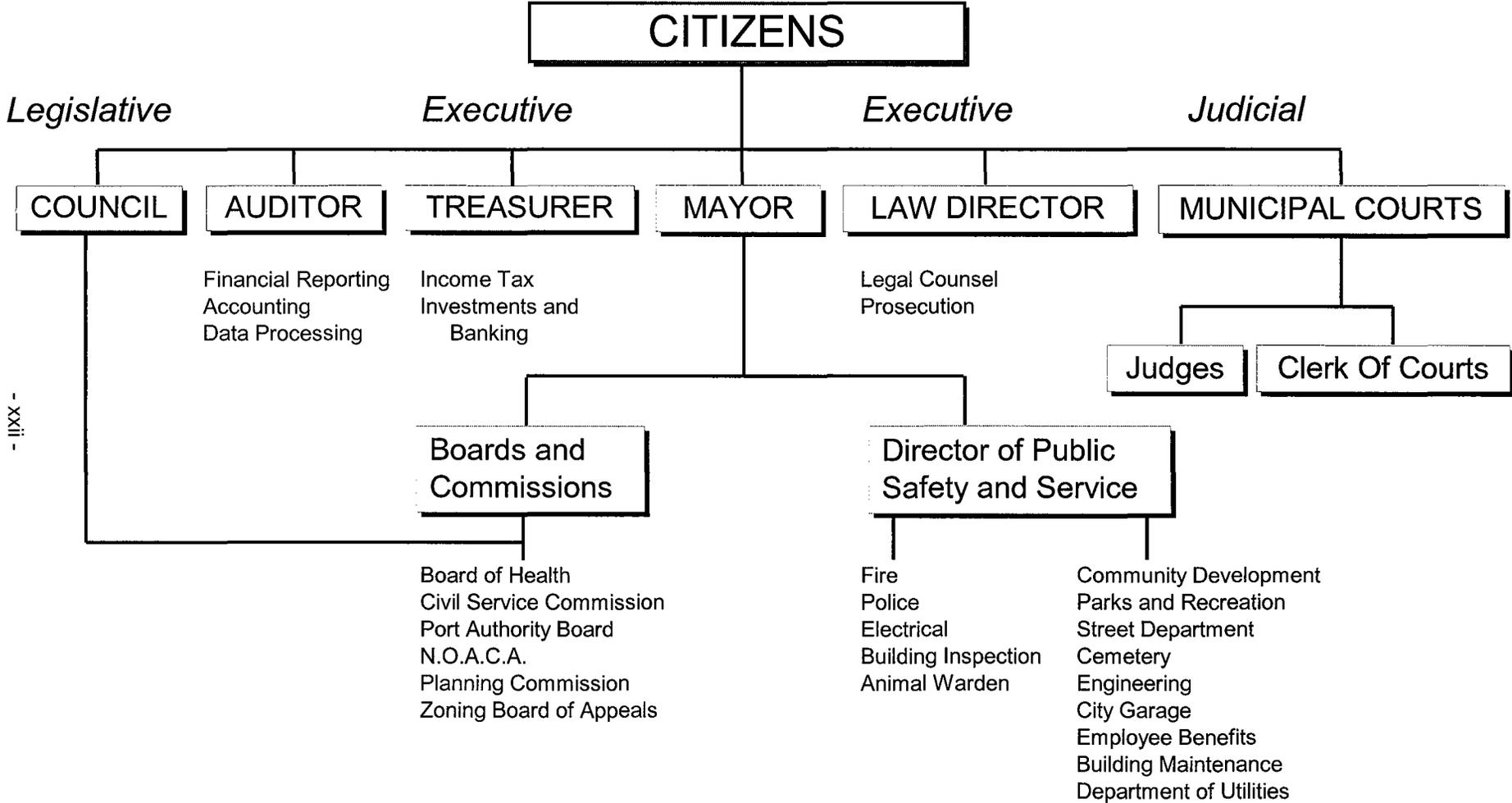
CITY OF LORAIN, OHIO
ELECTED OFFICIALS

<u>TITLE</u>	<u>NAME</u>	<u>YEARS OF SERVICE IN OFFICE</u>	<u>YEARS OF SERVICE WITH THE CITY</u>
Mayor	Craig Foltin	6	12
City Auditor	Ronald L. Mantini	6	6
City Treasurer	Thomas Urbanek	<1	20
Director of Law	Mark Provenza	6	17
Clerk of Courts	Lori Maiorana	<1	25
Judge	Mark Mihok	4	17
Judge	Thomas Elwell	2	2
<i>Members of Council:</i>			
Council President	Kenneth Shawver	4	16
Council at Large	Anne Molnar	8	8
Council at Large	Fred Lozano	4	14
Council at Large	Kathy Tavenner	6	12
1 ST Ward	David Wargo	6	9
2 nd Ward	Phil Betleski	2	2
3 rd Ward	Anthony Krasienko	10	10
4 th Ward	Vacant		
5 th Ward	Eddie Edwards	8	8
6 th Ward	Bob Kerecz	2	2
7 th Ward	Joseph Smith	1	1
8 th Ward	Daniel Given	1	12

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	6	12
Police Chief	Celestino Rivera	11	35
Fire Chief	Thomas Brown	<1	18
Director of Utilities	Corey Timko	2	5
Director of Community Development	Sanford Prudoff	33	33
Director of Park & Recreation	Bob Renney	3	21
Street Commissioner	Chuck Camera	15	34
Building Inspector	William Desvari	3	3
Administrative Director (Engineering)	Patrick McGannon	7	35
Chief Deputy Auditor	Anita Harper	6	6
MIS Director	David Comer	11	11
Clerk of Council	Nancy Greer	11	14

City of Lorain - Organizational Chart



Independent Auditors' Report

Members of the City Council
Lorain, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Ohio as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lorain, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Ohio, as of December 31, 2005, and the respective changes in financial position, and, where applicable, cash flows and the respective budgetary comparison for the General and Community Development Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2005, the City implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosure", GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section."

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2006 on our consideration of the City of Lorain, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Lorain, Ohio

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

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

Cini & Parichi, Inc.

Cleveland, Ohio
June 9, 2006

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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, 2005. 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 2005 are:

- The City's deficit cash balance in the general fund as of December 31, 2005 was \$1,249,726. This is a decrease of \$1,091,093 over 2004. Of this amount, \$750,000 was due to a cash advance from the Water and Water Pollution Control proprietary funds. The remainder of the decrease is due to an increase in income tax collections as a result of the City's general fund tax rate change from 1.50 percent to 1.75 percent on March 1, 2005.
- Total assets decreased by \$11,278,506 from 2004 to 2005, or 3.65 percent.
- Total liabilities increased by \$2,105,724 from 2004 to 2005, or 2.19 percent.
- Total net assets decreased \$13,384,230 from 2004 to 2005, or 6.30 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, 2005
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 2005. The *Statement of Net Assets* and the *Statement of Activities* provides this information. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Lorain's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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 28 of this report.

Internal Service Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the City-wide and fund financial statements. The notes to the financial statements can be found on pages 33-69 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that can be found on pages 71-124 of this report.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The City of Lorain as a Whole

The *Statement of Net Assets* looks at the assets of the City as a whole. Table 1 provides a summary of the City's net assets for 2005 as compared to 2004.

TABLE 1
NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Current and Other Assets	\$47,591,100	\$48,443,434	\$10,652,867	\$9,888,614	\$58,243,967	\$58,332,048
Capital Assets,						
Non-Depreciable	21,907,684	25,361,645	8,446,439	12,098,573	30,354,123	37,460,218
Capital Assets,						
Depreciable, Net	140,295,729	147,449,570	68,425,623	65,356,112	208,721,352	212,805,682
<i>Total Assets</i>	<u>209,794,513</u>	<u>221,254,649</u>	<u>87,524,929</u>	<u>87,343,299</u>	<u>297,319,442</u>	<u>308,597,948</u>
Liabilities						
Current and Other Liabilities	13,518,768	7,821,718	1,267,627	1,737,458	14,786,395	9,559,176
Long-Term Liabilities:						
Due Within One Year	3,389,694	7,456,823	2,726,147	2,881,117	6,115,841	10,337,940
Due in More Than One Year	39,574,649	36,884,256	37,931,840	39,521,629	77,506,489	76,405,885
<i>Total Liabilities</i>	<u>56,483,111</u>	<u>52,162,797</u>	<u>41,925,614</u>	<u>44,140,204</u>	<u>98,408,725</u>	<u>96,303,001</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	124,391,028	138,745,022	37,679,295	36,496,435	162,070,323	175,241,457
Restricted:						
Capital Projects	1,414,714	4,745,648	0	0	1,414,714	4,745,648
Debt Service	468,373	713,569	2,572,039	2,485,022	3,040,412	3,198,591
Replacement and Improvement	0	0	300,000	300,000	300,000	300,000
Utility Reserve	0	0	1,305,744	1,468,618	1,305,744	1,468,618
Capital Leases	1,117,874	0	0	0	1,117,874	0
Other Purposes	29,044,162	30,082,873	0	0	29,044,162	30,082,873
Unrestricted (Deficit)	(3,124,749)	(5,195,260)	3,742,237	2,453,020	617,488	(2,742,240)
<i>Total Net Assets</i>	<u>\$153,311,402</u>	<u>\$169,091,852</u>	<u>\$45,599,315</u>	<u>\$43,203,095</u>	<u>\$198,910,717</u>	<u>\$212,294,947</u>

Net assets may serve over time as a useful indicator of a City's financial position. For the City of Lorain, total assets exceeded liabilities by \$198,910,717 with \$153,311,402 in governmental activities and \$45,599,315 in business-type activities as of December 31, 2005. The largest portion of the City's net assets (81.5 percent) reflects its investment in capital assets [i.e. land, building structures and improvements, machinery and equipment, furniture and fixtures, infrastructure (including water and sewer lines) and construction in progress], less any outstanding debt used to acquire those assets. The City of Lorain uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (18.2 percent) represents resources that are subject to restriction on how they can be used. The unrestricted deficit balance is due largely to the City's investment in capital assets.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The *Statement of Activities* shows the changes in net assets for the year ended December 31, 2005. Table 2 provides the detailed data. The change in net assets from 2004 to 2005 shows a decrease of \$13,384,230 with (\$15,780,450) in governmental net assets and \$2,396,220 in business-type activities.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$4,111,789	\$4,662,759	\$17,750,271	\$16,593,825	\$21,862,060	\$21,256,584
Operating Grants and Contributions	10,967,698	14,433,494	0	0	10,967,698	14,433,494
Capital Grants and Contributions	935,158	1,717,034	0	0	935,158	1,717,034
<i>Total Program Revenues</i>	<u>16,014,645</u>	<u>20,813,287</u>	<u>17,750,271</u>	<u>16,593,825</u>	<u>33,764,916</u>	<u>37,407,112</u>
General Revenues:						
Municipal Income Taxes	19,571,403	17,652,400	0	0	19,571,403	17,652,400
Property Taxes	4,470,610	4,307,918	0	0	4,470,610	4,307,918
Investment Income	274,833	217,102	56,689	9,621	331,522	226,723
Intergovernmental Revenue not Restricted to Specific Programs	495,542	487,998	0	0	495,542	487,998
Miscellaneous	366,726	347,717	45,502	61,739	412,228	409,456
<i>Total General Revenues</i>	<u>25,179,114</u>	<u>23,013,135</u>	<u>102,191</u>	<u>71,360</u>	<u>25,281,305</u>	<u>23,084,495</u>
Total Revenues	<u>41,193,759</u>	<u>43,826,422</u>	<u>17,852,462</u>	<u>16,665,185</u>	<u>59,046,221</u>	<u>60,491,607</u>
Program Expense:						
General Government	13,003,383	11,596,965	0	0	13,003,383	11,596,965
Security of Persons and Property	19,197,977	17,624,224	0	0	19,197,977	17,624,224
Transportation	14,881,296	15,196,365	0	0	14,881,296	15,196,365
Public Health	2,030,073	1,799,704	0	0	2,030,073	1,799,704
Community Environment	964,323	671,404	0	0	964,323	671,404
Economic Development	3,736,841	2,538,197	0	0	3,736,841	2,538,197
Leisure Time Activities	1,266,922	1,139,638	0	0	1,266,922	1,139,638
Interest and Fiscal Charges	1,893,394	1,831,945	0	0	1,893,394	1,831,945
Water Works	0	0	7,161,733	7,019,598	7,161,733	7,019,598
Water Pollution Control	0	0	8,294,509	8,740,898	8,294,509	8,740,898
Total Expenses	<u>56,974,209</u>	<u>52,398,442</u>	<u>15,456,242</u>	<u>15,760,496</u>	<u>72,430,451</u>	<u>68,158,938</u>
Increase (Decrease) in Net Assets	(15,780,450)	(8,572,020)	2,396,220	904,689	(13,384,230)	(7,667,331)
Net Assets, January 1	<u>169,091,852</u>	<u>177,663,872</u>	<u>43,203,095</u>	<u>42,298,406</u>	<u>212,294,947</u>	<u>219,962,278</u>
Net Assets, December 31	<u>\$153,311,402</u>	<u>\$169,091,852</u>	<u>\$45,599,315</u>	<u>\$43,203,095</u>	<u>\$198,910,717</u>	<u>\$212,294,947</u>

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

GOVERNMENTAL ACTIVITIES

There are several revenue sources that fund the City's governmental activities. Total revenues for 2005 were \$41,193,759. Income tax revenues account for one of the largest sources of revenue - \$19,571,403 or 47.5 percent. The income tax rate for the General Fund of the City is 1.75 percent and was last amended in 2005. In 1992 an additional .25 percent was approved by the citizens of Lorain for the Police (money collected is in a separate Police Levy Fund). In February 2005 the electors passed a .25 percent increase in the income tax rate. This brings the income tax rate for the General Fund of the City to 1.75 percent.

Other major sources of revenue in governmental activities are: Operating Grants and Contributions of \$10,967,698 or 26.6 percent (this includes \$2,908,573 in Community Development block grants and HUD money, \$4,794,477 in Local Government Funds and \$2,257,169 in licenses plate and gas taxes), property and other taxes of \$4,470,610 or 10.9 percent and Capital Grants and Contributions of \$935,158 or 2.3 percent. The remaining 12.7 percent is made up of charges for services, interest, unrestricted grants and miscellaneous revenues.

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

- A strategic area on the City's east side has been identified as being a key redevelopment area that will foster the necessary conditions to allow for economic growth. Since the year 2000, the City has adopted the Colorado Avenue Industrial Area Urban Renewal Plan and authorized funding to create the 145 acre Colorado Industrial Park. In 2005, the City was awarded an Urban Redevelopment Loan of \$2.9 million from the Ohio Department of Development. The first lot in the Industrial Park has been sold creating 14 new jobs. Construction has begun on the infrastructure improvements with the initial phase expected to be completed in the fall of 2006.

Total governmental program expenses for 2005 were \$56,974,209. Security of persons and property accounted for program expenses of \$19,197,977 which is 33.7 percent of the total governmental activity expenses for the City. Transportation expenses were \$14,881,296 which is 26.1 percent and general government expenses were \$13,003,383 which is 22.8 percent.

The Police Department has a special income tax levy of .25 percent which is used for additional police officers and equipment. This money is utilized to purchase new vehicles, equipment that will better serve our community and provide extra police officers. There were eight new officers hired in 2005 bring the total number of officers to 102.

The Fire Department is funded with General Fund revenues. The Department continues to upgrade emergency fire and rescue equipment, as needed, to better serve the community. In 2005, the City entered into a capital lease to purchase two new pumper trucks, to be delivered in 2006, for the Department.

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

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General Government	\$13,003,383	\$11,596,965	\$9,188,709	\$7,347,071
Security of Persons and Property	19,197,977	17,624,224	15,970,980	13,862,360
Transportation	14,881,296	15,196,365	11,429,467	11,126,539
Public Health	2,030,073	1,799,704	679,322	532,068
Community Environment	964,323	671,404	(105,710)	(370,451)
Economic Development	3,736,841	2,538,197	828,268	(3,657,276)
Leisure Time Activities	1,266,922	1,139,638	1,075,134	912,899
Interest and Fiscal Charges	1,893,394	1,831,945	1,893,394	1,831,945
<i>Total</i>	<u>\$56,974,209</u>	<u>\$52,398,442</u>	<u>\$40,959,564</u>	<u>\$31,585,155</u>

Business-Type Activities

Utility services for water and sewer saw an increase in charges for services in 2005 (2 percent for water and 15 percent for sewer). The City closely monitors the utility rate structure to insure it meets both the revenue bond indenture requirements and its operating needs including debt.

The Utilities Department completed two major projects in 2005 – the Central Lorain (4W) waterline replacement and the Dayton Ave. relief sewer. Another major project completed in 2005 was the installation of a mechanical screening device in the wastewater treatment plant.

Financial Analysis of the City's Funds

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

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

For the year ended December 31, 2005 the City's governmental funds had combined total revenues of \$41,910,747 and expenditures of \$57,384,699. The City's governmental funds had a combined ending fund balances of \$24,319,205. Of this total amount, \$1,493,084 or 6.1 percent is available for spending at the City's discretion.

City of Lorain, Ohio
Management's Discussion and Analysis
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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 (\$884,514), while the total fund balance was \$375,302. The deficit balance is due to the application of accrued liabilities and expenditures exceeding revenues.

The Community Development Fund accounts for State and Federal grants designated for the acquisition of real property, administrative costs, public facilities and the rehabilitation of real property. For the year ended December 31, 2005, the City's Community Development Fund had total revenues of \$4,167,077 and expenditures of \$4,514,549. The City's Community Development Fund had an ending fund balance of \$21,790,926.

The General Obligation Bond Retirement Fund accounts for the accumulation of resources to pay principal and interest on general obligation debt. For the year ended December 31, 2005, the City's General Obligation Bond Retirement Fund had total revenues of \$1,336,680 plus other financing sources of \$4,923,491 and expenditures of \$11,353,156. The City's General Obligation Bond Retirement Fund had an ending fund balance of (\$4,879,317).

The Capital Improvements Fund accounts for state grants, transfers in and various other financing sources used for the construction of various improvements of the City. For the year ended December 31, 2005, the City's Capital Improvements Fund had total revenues of \$961,629 plus other financing sources of \$853,993 and expenditures of \$2,602,964. The City's Capital Improvements Fund had an ending fund balance of \$2,454,739.

General Fund Budgeting Highlights

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

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

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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General Fund expenditures are shown in Table 4.

Table 4

Service Component	Amount Expended	Percent Expended
General Government	\$9,816,983	34.16 %
Security of Persons and Property	17,023,694	59.23
Public Health	290,705	1.01
Community Environment	646,230	2.25
Leisure Time Activities	962,122	3.35
Debt Service	1,110	0.00
<i>Totals</i>	\$28,740,844	100.00 %

There was a difference in revenue of \$269,021 between the final amended budget and the actual collected revenue. Although revenue for license and permits and fines and forfeitures came in under the budgeted estimate by \$170,463 and \$125,463 respectively, the income taxes collected exceeded the final budgeted estimate by \$501,821 due mainly to taxpayers making larger estimated tax payments than in the previous year. The balance of the City's revenue sources exceeded the final amended budget by a total of \$63,126.

The negative variance in expenditures of \$2,729,697 between the final amended budget and the actual is the result of the police and fire departments exceeding their budgets for personal services by \$1,124,452 and \$926,245 respectively and the City's payments for basic utilities going over budget by \$825,795. The remainder of the departments came in under the final amended budget by a combined \$146,795.

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

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the City of Lorain for its governmental and business-type activities as of December 31, 2005 were \$239,075,475. Of this total, \$162,203,413 was for governmental activities and \$76,872,062 was for business-type activities. This investment in capital assets includes land, building structures and improvements, machinery and equipment, furniture and fixtures, infrastructure (including water and sewer lines) and construction in progress.

City of Lorain, Ohio
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Table 5
Capitals Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$8,372,342	\$8,372,342	\$617,876	\$617,876	\$8,990,218	\$8,990,218
Construction in Progress	13,535,342	16,989,303	7,828,563	11,480,697	21,363,905	28,470,000
Buildings and Improvements	9,203,834	8,739,771	26,873,637	27,214,421	36,077,471	35,954,192
Machinery and Equipment	9,004,715	7,395,024	2,917,723	2,406,996	11,922,438	9,802,020
Furniture and Fixtures	58,043	54,228	0	0	58,043	54,228
Infrastructure:						
Streets and Sidewalks	122,029,137	131,260,547	0	0	122,029,137	131,260,547
Water Lines	0	0	15,745,439	12,170,923	15,745,439	12,170,923
Sewer Lines	0	0	22,888,824	23,563,772	22,888,824	23,563,772
<i>Total Capital Assets</i>	<u>\$162,203,413</u>	<u>\$172,811,215</u>	<u>\$76,872,062</u>	<u>\$77,454,685</u>	<u>\$239,075,475</u>	<u>\$250,265,900</u>

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

- \$1,867,709 – Riverfront Urban Renewal – California Avenue
- \$1,797,969 – City Buildings Energy Conservation Upgrade
- \$1,020,115 – Police Expansion
- \$ 732,120 – Street Equipment Purchase
- \$ 391,487 – Victory Ave. Rehabilitation and Repaving
- \$ 344,581 – US Route 6 Rehabilitation and Repaving

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

- \$463,434 – Tacoma and Pearl Pump Station
- \$340,900 – Water Plant Generator
- \$299,147 – Water and Water Pollution Control Buildings Energy Conservation Upgrade
- \$202,300 – Redhill Water Tower Refurbishment
- \$149,626 – Waterline Replacement (4W)

Of these major capital asset additions the Police expansion, Riverfront Urban Renewal – California Avenue, Victory Ave. rehabilitation and paving and the Tacoma and Pearl pump station were still in progress at year end.

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

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

City of Lorain, Ohio
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Debt Administration

On December 31, 2005, the City of Lorain had \$76,546,069 in bonds, loans, notes and capital leases outstanding, with \$4,874,995 due within one year. Table 6 summarizes bonds, loans, notes and capital leases outstanding.

Table 6
Long-Term Outstanding Debt at Year End

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General Obligation Bonds	\$25,998,851	\$24,752,871	\$1,510,777	\$1,550,000	\$27,509,628	\$26,302,871
Special Assessment Bonds	762,423	860,127	0	0	762,423	860,127
Revenue Bonds	0	0	10,106,765	11,016,068	10,106,765	11,016,068
OPWC Loans	1,873,525	1,904,310	0	0	1,873,525	1,904,310
OWDA Loans	0	0	27,730,126	28,524,772	27,730,126	28,524,772
HUD Section 108 Loans	6,345,000	6,785,000	0	0	6,345,000	6,785,000
Notes Payable	0	4,150,000	0	0	0	4,150,000
Capital Leases	2,099,227	425,643	119,375	132,395	2,218,602	558,038
<i>Total</i>	<u>\$37,079,026</u>	<u>\$38,877,951</u>	<u>\$39,467,043</u>	<u>\$41,223,235</u>	<u>\$76,546,069</u>	<u>\$80,101,186</u>

The general obligation bonds include the following:

- \$2,800,000 Energy Conservation bond issued in 2005 for City building upgrades.
- \$8,020,000 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.
- \$4,550,000 Riverfront Urban Renewal bond issued in 2000 for Phase I of the HarborWalk project.
- \$4,470,000 Riverfront Urban Renewal bond issued in 2005 for Phase II of the HarborWalk project.
- The remainder of the bonds issued are for various purposes dating back to 1988.

The special assessment bonds consist of two street assessment projects.

The revenue bonds are for water (\$6,591,728) and sewer (\$3,515,037) 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:

- \$1,774,963 from 2000 for the East Erie waterline replacement
- \$2,236,460 from 2001 for the Colorado Avenue/Root Road waterline replacement
- \$2,055,071 for the West Side waterline replacement
- \$3,876,350 from 2001 for the Tacoma Avenue relief sewer (SSO)

City of Lorain, Ohio
Management's Discussion and Analysis
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- \$8,034,984 from 2001 for the Idaho Avenue pump station (SSO)
- \$3,502,011 from 2003 for the Central Lorain (4W) waterline replacement
- \$2,027,016 from 2004 for the Kay Drive retention basin
- \$1,231,679 from 2004 for the Pearl and Tacoma Ave. pump station (SSO)

The HUD Section 108 Loans are Community Development loans for Head Start building (\$70,000 and \$770,000), Colorado Industrial Park infrastructure (\$1,750,000), expansion of the City's existing business development revolving loan fund (\$1,625,000) and \$2,130,000 for acquisition of property and professional services for future economic development for the City.

The City's overall legal ten and one-half percent debt limitation (voted and unvoted) on December 31, 2005 was \$102,974,106. The outstanding debt, after issuance of bonds subject to the ten and one-half percent limitation, is \$34,491,794. The difference of \$68,482,312 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.

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 six years. The following table demonstrates the changes in employment of those major employers as of December 31, 2005. The Lorain Ford Plant was officially closed on December 23, 2005, thus eliminating 1,677 jobs. No employees will remain at the Lorain Assembly Plant. This plant closing will result in a significant loss of income tax revenue.

On a positive note, the Alternative formula Agreement which is an agreement reached between the City and the County regarding the method of distributing local government assistance funds received from the State and distributed among local governments within the County has a clause stating "*In the event that the percentage of municipal population within the County should reach eighty-one percent (81 percent) or more of the total population of the county, the Budget Commission shall allocate to the City of Lorain 27.412 percent of the Funds*". This change in percentage, from 20.212 percent to 27.412 percent would result in an increase of approximately \$1.3 million per year of additional revenue for the City beginning in 2007.

City of Lorain, Ohio
Management's Discussion and Analysis
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Table 7
Top Ten Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Community Health Partners	Health Care	2,178	2,100	1,803	1,803	1,865
Ford Motor Company	Automobile Manufacturing	1,730	1,727	1,677	1,674	1,616
Lorain City School District	Education	1,200	1,200	1,493	1,222	1,150
Republic Engineered Products	Steel Manufacturing	1,585	1,000	1,073	1,147	1,100
City of Lorain	Government	550	534	539	530	545
Marconi Communications (Emerson Network Power)	Telecommunications	380	585	537	396	308
Lorain Tubular	Steel Manufacturing	500	500	410	428	485
CAMACO, Inc	Automotive Seating Systems	0	0	262	300	211
The Nord Center	Health Care	0	230	230	244	240

The December 2005 unemployment rate for the City was 6.3 percent while the unemployment rate for Lorain County was 5.5 percent and the State of Ohio was 5.9 percent (based on the Ohio Job & Family Services, Office of Workforce Development).

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

- Lighthouse Village - a 65 acre retail development of an approximately 500,000 square feet anchored by Kohl's Department Store and Home Depot. This project is expected to generate approximately \$40 million in private investment and \$100 million in annual sales. Lighthouse Village will create 950 new jobs with an annual payroll of \$17 million. The Kohl's store is expected to be open in fall of 2006 and Home Depot in the Spring of 2007.
- The City has received and adopted the Lorain West Urban Renewal Plan. The Urban Renewal Plan will allow the City to work aggressively with the private market to bring this land back into active use once Ford announces the sale of the facility which is expected in the summer of 2006. It is hoped this will attract new jobs to this site starting in late 2006 or early 2007.
- Construction has begun on the infrastructure improvements for the Colorado Industrial Park with the initial phase expected to be completed in the fall of 2006.

The City ended 2005 with a \$1,249,726 cash deficit in the general fund and the budget for 2006 was passed with the intent of reducing this deficit by \$300,000.

City of Lorain, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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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, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,406,081	\$3,358,266	\$12,764,347
Cash and Cash Equivalents:			
In Segregated Accounts	96,280	0	96,280
With Trustee	0	2,702,692	2,702,692
With Fiscal Agents	101,001	0	101,001
With Escrow Agents	1,117,874	0	1,117,874
Accounts Receivable	0	2,807,309	2,807,309
Inventory Held for Resale	1,564,552	0	1,564,552
Materials and Supplies Inventory	643,774	611,909	1,255,683
Internal Balances	(837,538)	837,538	0
Intergovernmental Receivable	9,241,341	64,122	9,305,463
Prepaid Items	45,272	37,190	82,462
Municipal Income Taxes Receivable	3,161,014	0	3,161,014
Property and Other Taxes Receivable	4,476,409	0	4,476,409
Special Assessments Receivable	907,022	0	907,022
Loans Receivable	17,240,073	0	17,240,073
Deferred Charges	427,945	233,841	661,786
Capital Assets, Non-Depreciable	21,907,684	8,446,439	30,354,123
Capital Assets, Depreciable, Net	140,295,729	68,425,623	208,721,352
<i>Total Assets</i>	<u>209,794,513</u>	<u>87,524,929</u>	<u>297,319,442</u>
Liabilities			
Accounts Payable	575,773	403,385	979,158
Contracts Payable	144,698	97,131	241,829
Accrued Wages and Benefits	377,576	125,423	502,999
Matured Compensated Absences Payable	171,220	7,964	179,184
Intergovernmental Payable	1,724,515	386,932	2,111,447
Deferred Revenue	4,323,830	0	4,323,830
Retainage Payable	0	107,285	107,285
Accrued Interest Payable	335,985	139,507	475,492
Notes Payable	5,495,000	0	5,495,000
Claims Payable	370,171	0	370,171
Long-Term Liabilities:			
Due Within One Year	3,389,694	2,726,147	6,115,841
Due In More Than One Year	39,574,649	37,931,840	77,506,489
<i>Total Liabilities</i>	<u>56,483,111</u>	<u>41,925,614</u>	<u>98,408,725</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	124,391,028	37,679,295	162,070,323
Restricted for:			
Capital Projects	1,414,714	0	1,414,714
Debt Service	468,373	2,572,039	3,040,412
Community Development	25,355,904	0	25,355,904
Police Levy	1,307,190	0	1,307,190
Law Enforcement	566,094	0	566,094
Replacement and Improvement	0	300,000	300,000
Utility Reserve	0	1,305,744	1,305,744
Capital Leases	1,117,874	0	1,117,874
Other Purposes	1,814,974	0	1,814,974
Unrestricted (Deficit)	(3,124,749)	3,742,237	617,488
<i>Total Net Assets</i>	<u>\$153,311,402</u>	<u>\$45,599,315</u>	<u>\$198,910,717</u>

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Activities
For the Year Ended December 31, 2005

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$13,003,383	\$2,161,128	\$1,653,546	\$0
Security of Persons and Property	19,197,977	385,001	2,841,996	0
Transportation	14,881,296	0	2,516,671	935,158
Public Health	2,030,073	808,413	542,338	0
Community Environment	964,323	730,199	339,834	0
Economic Development	3,736,841	0	2,908,573	0
Leisure Time Activities	1,266,922	27,048	164,740	0
Interest and Fiscal Charges	1,893,394	0	0	0
<i>Total Governmental Activities</i>	<u>56,974,209</u>	<u>4,111,789</u>	<u>10,967,698</u>	<u>935,158</u>
Business-Type Activities				
Water Works	7,161,733	8,528,739	0	0
Water Pollution Control	8,294,509	9,221,532	0	0
<i>Total Business-Type Activities</i>	<u>15,456,242</u>	<u>17,750,271</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u><u>\$72,430,451</u></u>	<u><u>\$21,862,060</u></u>	<u><u>\$10,967,698</u></u>	<u><u>\$935,158</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

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
(\$9,188,709)	\$0	(\$9,188,709)
(15,970,980)	0	(15,970,980)
(11,429,467)	0	(11,429,467)
(679,322)	0	(679,322)
105,710	0	105,710
(828,268)	0	(828,268)
(1,075,134)	0	(1,075,134)
(1,893,394)	0	(1,893,394)
(40,959,564)	0	(40,959,564)
0	1,367,006	1,367,006
0	927,023	927,023
0	2,294,029	2,294,029
(40,959,564)	2,294,029	(38,665,535)
2,858,521	0	2,858,521
291,931	0	291,931
279,497	0	279,497
1,040,661	0	1,040,661
17,087,103	0	17,087,103
2,484,300	0	2,484,300
495,542	0	495,542
274,833	56,689	331,522
366,726	45,502	412,228
25,179,114	102,191	25,281,305
(15,780,450)	2,396,220	(13,384,230)
169,091,852	43,203,095	212,294,947
<u>\$153,311,402</u>	<u>\$45,599,315</u>	<u>\$198,910,717</u>

City of Lorain, Ohio

Balance Sheet

Governmental Funds

December 31, 2005

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$0	\$3,696,667	\$4,098	\$1,203,699	\$3,639,783	\$8,544,247
Cash and Cash Equivalents						
In Segregated Accounts	96,280	0	0	0	0	96,280
With Fiscal Agents	0	101,001	0	0	0	101,001
With Escrow Agents	600,000	0	0	0	517,874	1,117,874
Inventory Held for Resale	0	1,564,552	0	0	0	1,564,552
Materials and Supplies Inventory	86,346	1,929	0	0	192,538	280,813
Interfund Receivable	313,713	0	0	1,291,639	21,360	1,626,712
Intergovernmental Receivable	3,111,524	4,246,038	55,000	700,000	1,128,779	9,241,341
Prepaid Items	28,899	5,828	0	0	10,433	45,160
Municipal Income Taxes Receivable	2,755,233	0	0	0	405,781	3,161,014
Property and Other Taxes Receivable	2,899,987	0	985,264	0	591,158	4,476,409
Special Assessments Receivable	246,231	0	0	0	660,791	907,022
Loans Receivable	0	17,014,580	225,493	0	0	17,240,073
Total Assets	\$10,138,213	\$26,630,595	\$1,269,855	\$3,195,338	\$7,168,497	\$48,402,498
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$355,080	\$72,546	\$0	\$4,332	\$113,976	\$545,934
Contracts Payable	0	90,976	0	0	53,722	144,698
Accrued Wages and Benefits	294,951	19,360	0	0	54,096	368,407
Matured Compensated Absences Payable	169,718	0	0	0	1,502	171,220
Intergovernmental Payable	1,392,954	66,453	0	36,267	200,550	1,696,224
Interfund Payable	2,085,560	545	0	0	123,925	2,210,030
Claims Payable	31,024	0	0	0	0	31,024
Accrued Interest Payable	0	7,202	52,415	0	0	59,617
Notes Payable	0	664,000	4,831,000	0	0	5,495,000
Deferred Revenue	5,433,624	3,918,587	1,265,757	700,000	2,043,171	13,361,139
Total Liabilities	9,762,911	4,839,669	6,149,172	740,599	2,590,942	24,083,293
Fund Balances						
Reserved for Encumbrances	659,816	1,087,705	0	385,807	894,786	3,028,114
Reserved for Loans	0	17,014,580	0	0	0	17,014,580
Reserved for Leases	600,000	0	0	0	517,874	1,117,874
Reserved for Inventory Held for Resale	0	1,564,552	0	0	0	1,564,552
Reserved for Debt Service	0	101,001	0	0	0	101,001
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	(884,514)	0	0	0	0	(884,514)
Special Revenue Funds	0	2,023,088	0	0	2,431,742	4,454,830
Debt Service Funds	0	0	(4,879,317)	0	0	(4,879,317)
Capital Projects Funds	0	0	0	2,068,932	733,153	2,802,085
Total Fund Balances (Deficit)	375,302	21,790,926	(4,879,317)	2,454,739	4,577,555	24,319,205
Total Liabilities and Fund Balances	\$10,138,213	\$26,630,595	\$1,269,855	\$3,195,338	\$7,168,497	\$48,402,498

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, 2005*

Total Governmental Fund Balances \$24,319,205

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 162,203,413

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

Special Assessments	\$907,022
Delinquent Property Taxes	378,072
Intergovernmental	7,381,672
Municipal Income Taxes	<u>370,543</u>

Total 9,037,309

Bond issuance costs will be amortized over the life of the bonds
 on the statement of net assets 427,945

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	559,403
Capital Assets	(207,240)
Bonds Payable	201,560
Compensated Absences	134,928
Internal Balances	<u>(124,410)</u>

Total 564,241

In the statement of activities, interest is accrued on outstanding
 bonds, whereas in governmental fund, an interest expenditure
 is reported when due (276,368)

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	(25,981,800)
Special Assessment Bonds	(762,423)
HUD Section 108 Loans	(6,345,000)
OPWC Loans	(1,873,525)
Compensated Absences	(5,885,317)
Capital Leases	(2,099,227)
Bond Premium	<u>(17,051)</u>

Total (42,964,343)

Net Assets of Governmental Activities \$153,311,402

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, 2005

	General	Community Development	General Obligation Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Taxes	\$2,838,715	\$0	\$1,033,055	\$0	\$568,666	\$4,440,436
Municipal Income Taxes	17,065,591	0	0	0	2,480,715	19,546,306
Charges for Services	534,062	0	0	0	885,189	1,419,251
Licenses and Permits	871,735	0	0	0	226,328	1,098,063
Fines and Forfeitures	1,097,071	0	0	0	341,684	1,438,755
Intergovernmental	4,967,308	3,954,938	144,359	960,158	3,233,291	13,260,054
Special Assessments	0	0	0	0	73,280	73,280
Interest	117,170	44,751	87,289	64	25,559	274,833
Miscellaneous	73,641	167,388	71,977	1,407	45,356	359,769
<i>Total Revenues</i>	<u>27,565,293</u>	<u>4,167,077</u>	<u>1,336,680</u>	<u>961,629</u>	<u>7,880,068</u>	<u>41,910,747</u>
Expenditures						
Current:						
General Government	9,858,338	0	65,676	0	254,672	10,178,686
Security of Persons and Property	16,460,424	0	0	0	2,275,343	18,735,767
Transportation	0	0	0	0	3,002,534	3,002,534
Public Health	293,459	0	0	0	1,764,654	2,058,113
Community Environment	661,073	0	0	0	208,210	869,283
Economic Development	0	3,606,065	0	0	0	3,606,065
Leisure Time Activities	972,496	0	0	0	65,386	1,037,882
Capital Outlay	0	0	0	2,602,964	2,315,150	4,918,114
Debt Service:						
Principal Retirement	1,079	440,000	10,108,259	0	478,035	11,027,373
Interest and Fiscal Charges	31	468,484	1,179,221	0	303,146	1,950,882
<i>Total Expenditures</i>	<u>28,246,900</u>	<u>4,514,549</u>	<u>11,353,156</u>	<u>2,602,964</u>	<u>10,667,130</u>	<u>57,384,699</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(681,607)</u>	<u>(347,472)</u>	<u>(10,016,476)</u>	<u>(1,641,335)</u>	<u>(2,787,062)</u>	<u>(15,473,952)</u>
Other Financing Sources (Uses)						
Capital Lease Proceeds	600,000	0	0	0	1,249,994	1,849,994
Bonds Issued	2,261,243	0	0	0	36,420	2,297,663
Notes Issued	0	0	4,110,000	640,000	0	4,750,000
Loans Received	0	0	0	130,178	0	130,178
Transfers In	180,000	50,000	813,491	83,815	867,982	1,995,288
Transfers Out	<u>(1,473,774)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(521,514)</u>	<u>(1,995,288)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>1,567,469</u>	<u>50,000</u>	<u>4,923,491</u>	<u>853,993</u>	<u>1,632,882</u>	<u>9,027,835</u>
<i>Net Change in Fund Balances</i>	885,862	(297,472)	(5,092,985)	(787,342)	(1,154,180)	(6,446,117)
Fund Balances (Deficit)						
<i>Beginning of Year</i>	<u>(510,560)</u>	<u>22,088,398</u>	<u>213,668</u>	<u>3,242,081</u>	<u>5,731,735</u>	<u>30,765,322</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$375,302</u>	<u>\$21,790,926</u>	<u>(\$4,879,317)</u>	<u>\$2,454,739</u>	<u>\$4,577,555</u>	<u>\$24,319,205</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, 2005*

Net Change in Fund Balances - Total Governmental Funds (\$6,446,117)

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

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

Capital Asset Additions	\$7,143,815	
Current Year Depreciation	<u>(17,734,377)</u>	
Total		(10,590,562)

In the statement of activities, a gain or loss is reported for each disposal of capital assets (17,240)

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

Delinquent Property Taxes	30,174	
Intergovernmental	(861,656)	
Municipal Income Taxes	25,097	
Special Assessments	<u>(81,349)</u>	
Total		(887,734)

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	(2,499,223)	
Notes Issued	(4,750,000)	
Loans Issued	(130,178)	
Inception of Capital Lease	<u>(1,849,994)</u>	
Total		(9,229,395)

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

Bonds, Notes and Loans Principal	10,850,963	
Capital Lease Principal	<u>176,410</u>	
Total		11,027,373

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

Accrued Interest	80,301	
Amortization of Bond Premium	947	
Amortization of Bond Issuance Costs	<u>(23,760)</u>	
Total		57,488

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

Compensated Absences		(422,189)
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The internal service fund used by management to charge the costs of insurance to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities:

Change in Net Assets	924,529	
Capital Assets, Net	(196,611)	
Compensated Absences	393	
Bonds Issued	201,560	
Internal Balance	<u>(201,945)</u>	
Total		<u>727,926</u>

Change in Net Assets of Governmental Activities (\$15,780,450)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Taxes	\$2,820,835	\$2,820,835	\$2,838,715	\$17,880
Municipal Income Taxes	16,022,051	16,022,051	16,523,872	501,821
Charges for Services	588,100	588,100	561,800	(26,300)
Licenses and Permits	1,120,300	1,120,300	949,837	(170,463)
Fines and Forfeitures	1,130,000	1,148,320	1,023,053	(125,267)
Intergovernmental	5,111,021	5,111,021	5,169,755	58,734
Interest	40,500	40,500	106,117	65,617
Miscellaneous	94,642	126,642	73,641	(53,001)
<i>Total Revenues</i>	<u>26,927,449</u>	<u>26,977,769</u>	<u>27,246,790</u>	<u>269,021</u>
Expenditures:				
Current:				
General Government	7,084,898	9,078,221	9,816,983	(738,762)
Security of Persons and Property	13,913,528	14,992,550	17,023,694	(2,031,144)
Public Health Services	336,564	304,241	290,705	13,536
Community Environment	648,678	653,718	646,230	7,488
Leisure Time Activities	972,466	981,307	962,122	19,185
Debt Service:				
Principal Retirement	1,079	1,079	1,079	0
Interest and Fiscal Charges	31	31	31	0
<i>Total Expenditures</i>	<u>22,957,244</u>	<u>26,011,147</u>	<u>28,740,844</u>	<u>(2,729,697)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,970,205</u>	<u>966,622</u>	<u>(1,494,054)</u>	<u>(2,460,676)</u>
Other Financing Sources (Uses):				
Bonds Issued	0	2,261,243	2,261,243	0
Advances In	360,025	1,110,025	1,110,024	(1)
Advances Out	(250,000)	(625,000)	(583,924)	41,076
Capital Leases	0	600,000	600,000	0
Transfers In	0	186,782	180,000	(6,782)
Transfers Out	(1,208,875)	(1,611,137)	(1,473,774)	137,363
<i>Total Other Financing Sources (Uses)</i>	<u>(1,098,850)</u>	<u>1,921,913</u>	<u>2,093,569</u>	<u>171,656</u>
<i>Net Change in Fund Balance</i>	2,871,355	2,888,535	599,515	(2,289,020)
<i>Fund Balance (Deficit) Beginning of Year</i>	(2,733,917)	(2,733,917)	(2,733,917)	0
<i>Prior Year Encumbrances Appropriated</i>	54,202	54,202	54,202	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$191,640</u>	<u>\$208,820</u>	<u>(\$2,080,200)</u>	<u>(\$2,289,020)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$6,947,730	\$8,447,030	\$6,128,645	(\$2,318,385)
Interest	25,070	25,070	39,560	14,490
Miscellaneous	33,800	173,506	167,388	(6,118)
<i>Total Revenues</i>	<u>7,006,600</u>	<u>8,645,606</u>	<u>6,335,593</u>	<u>(2,310,013)</u>
Expenditures:				
Current:				
Economic Development	8,643,983	10,595,824	7,113,057	3,482,767
Debt Service:				
Principal Retirement	744,137	744,137	440,000	304,137
Interest and Fiscal Charges	747,363	817,919	461,282	356,637
<i>Total Expenditures</i>	<u>10,135,483</u>	<u>12,157,880</u>	<u>8,014,339</u>	<u>4,143,541</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,128,883)</u>	<u>(3,512,274)</u>	<u>(1,678,746)</u>	<u>1,833,528</u>
Other Financing Sources:				
Notes Issued	0	664,000	664,000	0
Transfers In	377,458	318,567	50,000	(268,567)
<i>Total Other Financing Sources</i>	<u>377,458</u>	<u>982,567</u>	<u>714,000</u>	<u>(268,567)</u>
<i>Net Change in Fund Balance</i>	<u>(2,751,425)</u>	<u>(2,529,707)</u>	<u>(964,746)</u>	<u>1,564,961</u>
<i>Fund Balance Beginning of Year</i>	2,805,396	2,805,396	2,805,396	0
Prior Year Encumbrances Appropriated	765,190	765,190	765,190	0
<i>Fund Balance End of Year</i>	<u>\$819,161</u>	<u>\$1,040,879</u>	<u>\$2,605,840</u>	<u>\$1,564,961</u>

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2005

	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	\$770,416	\$982,106	\$1,752,522	\$861,834
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	483,929	1,121,815	1,605,744	0
Accounts Receivable	1,248,972	1,558,337	2,807,309	0
Materials and Supplies Inventory	453,825	158,084	611,909	362,961
Interfund Receivable	375,022	376,265	751,287	180,318
Intergovernmental Receivable	0	64,122	64,122	0
Prepaid Items	32,063	5,127	37,190	112
<i>Total Current Assets</i>	<u>3,364,227</u>	<u>4,265,856</u>	<u>7,630,083</u>	<u>1,405,225</u>
<i>Noncurrent Assets</i>				
Restricted Assets:				
Cash and Cash Equivalents With Trustee	1,253,092	1,449,600	2,702,692	0
Unamortized Bond Issuance Costs	144,049	89,792	233,841	0
Non-Depreciable Capital Assets	373,755	8,072,684	8,446,439	0
Depreciable Capital Assets, Net	24,234,564	44,191,059	68,425,623	207,240
<i>Total Noncurrent Assets</i>	<u>26,005,460</u>	<u>53,803,135</u>	<u>79,808,595</u>	<u>207,240</u>
<i>Total Assets</i>	<u>29,369,687</u>	<u>58,068,991</u>	<u>87,438,678</u>	<u>1,612,465</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	197,530	205,855	403,385	29,839
Contracts Payable	0	97,131	97,131	0
Accrued Wages and Benefits	60,501	64,922	125,423	9,169
Matured Compensated Absences Payable	1,596	6,368	7,964	0
Intergovernmental Payable	177,475	209,457	386,932	28,291
Accrued Interest Payable	89,320	50,187	139,507	0
Retainage Payable	0	107,285	107,285	0
Interfund Payable	25,986	12,173	38,159	310,128
Claims Payable	0	0	0	339,147
Capital Leases Payable	0	13,688	13,688	0
Compensated Absences Payable	73,387	89,625	163,012	29,415
Bonds Payable - Current	595,404	576,617	1,172,021	0
OWDA Loans - Current	364,076	1,013,350	1,377,426	0
<i>Total Current Liabilities</i>	<u>1,585,275</u>	<u>2,446,658</u>	<u>4,031,933</u>	<u>745,989</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>				
Capital Leases Payable	0	105,687	105,687	0
Compensated Absences Payable	480,659	547,273	1,027,932	105,513
Bonds Payable	7,280,140	3,165,381	10,445,521	201,560
OWDA Loans	9,586,206	16,766,494	26,352,700	0
<i>Total Long-Term Liabilities</i>	<u>17,347,005</u>	<u>20,584,835</u>	<u>37,931,840</u>	<u>307,073</u>
<i>Total Liabilities</i>	<u>18,932,280</u>	<u>23,031,493</u>	<u>41,963,773</u>	<u>1,053,062</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	6,931,191	30,748,104	37,679,295	207,240
Restricted For:				
Debt Service	1,170,099	1,401,940	2,572,039	0
Replacement and Improvement	150,000	150,000	300,000	0
Utility Reserve	333,929	971,815	1,305,744	0
Unrestricted	1,852,188	1,765,639	3,617,827	352,163
<i>Total Net Assets</i>	<u>\$10,437,407</u>	<u>\$35,037,498</u>	<u>45,474,905</u>	<u>\$559,403</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 124,410

Net assets business-type activities \$45,599,315

City of Lorain, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005*

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities
	<u>Water Works</u>	<u>Water Pollution Control</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating Revenues				
Charges for Services	\$7,731,768	\$8,470,892	\$16,202,660	\$5,954,056
Water/Sewer Charges Pledged as Security for Revenue Bonds	796,971	750,640	1,547,611	0
Miscellaneous	26,974	18,528	45,502	8,901
<i>Total Operating Revenues</i>	<u>8,555,713</u>	<u>9,240,060</u>	<u>17,795,773</u>	<u>5,962,957</u>
Operating Expenses				
Personal Services	3,523,204	4,096,231	7,619,435	563,625
Materials and Supplies	643,202	397,020	1,040,222	518,954
Contractual Services	571,128	221,577	792,705	3,707
Claims	0	0	0	3,947,452
Basic Utilities	624,517	737,655	1,362,172	0
Other Operating Expenses	228,754	300,645	529,399	1,963
Depreciation	709,634	1,617,064	2,326,698	2,727
<i>Total Operating Expenses</i>	<u>6,300,439</u>	<u>7,370,192</u>	<u>13,670,631</u>	<u>5,038,428</u>
<i>Operating Income</i>	<u>2,255,274</u>	<u>1,869,868</u>	<u>4,125,142</u>	<u>924,529</u>
Non-Operating Revenues (Expenses)				
Interest	26,260	30,429	56,689	0
Interest and Fiscal Charges	(954,756)	(1,032,800)	(1,987,556)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(928,496)</u>	<u>(1,002,371)</u>	<u>(1,930,867)</u>	<u>0</u>
<i>Change in Net Assets</i>	1,326,778	867,497	2,194,275	924,529
<i>Net Assets (Deficit) Beginning of Year</i>	<u>9,110,629</u>	<u>34,170,001</u>		<u>(365,126)</u>
<i>Net Assets End of Year</i>	<u>\$10,437,407</u>	<u>\$35,037,498</u>		<u>\$559,403</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 201,945

Change in net assets business-type activities \$2,396,220

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$8,645,887	\$9,183,048	\$17,828,935	\$0
Cash Received from Transactions with Other Funds	0	0	0	5,871,353
Cash Payments for Goods and Services	(2,186,297)	(1,968,107)	(4,154,404)	(839,134)
Cash Payments for Employee Services and Benefits	(3,560,337)	(4,140,971)	(7,701,308)	(562,942)
Cash Payments for Claims	0	0	0	(3,936,271)
Other Operating Revenues	26,974	101,685	128,659	8,901
Other Cash Payments	0	0	0	(210)
<i>Net Cash Provided by Operating Activities</i>	<u>2,926,227</u>	<u>3,175,655</u>	<u>6,101,882</u>	<u>541,697</u>
Cash Flows from Noncapital Financing Activities				
Advances In	250,000	0	250,000	310,128
Advances Out	(625,000)	(375,000)	(1,000,000)	(94,707)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(375,000)</u>	<u>(375,000)</u>	<u>(750,000)</u>	<u>215,421</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(784,212)	(959,863)	(1,744,075)	(199,338)
Bonds Issued	73,816	226,961	300,777	201,560
OWDA Loans Received	22,933	502,564	525,497	0
Principal Paid on Bonds	(215,000)	(125,000)	(340,000)	0
Interest Paid on Bonds	(83,300)	(13,438)	(96,738)	0
Principal Paid on Revenue Bonds	(440,000)	(535,000)	(975,000)	0
Interest Paid on Revenue Bonds	(353,698)	(218,295)	(571,993)	0
Principal Paid on OWDA Loans	(347,012)	(973,131)	(1,320,143)	0
Interest Paid on OWDA Loans	(502,049)	(724,607)	(1,226,656)	0
Principal Paid on Capital Leases	0	(13,020)	(13,020)	0
Interest Paid on Capital Leases	0	(6,792)	(6,792)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(2,628,522)</u>	<u>(2,839,621)</u>	<u>(5,468,143)</u>	<u>2,222</u>
Cash Flows from Investing Activities				
Interest	26,260	30,429	56,689	0
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(51,035)</u>	<u>(8,537)</u>	<u>(59,572)</u>	<u>759,340</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,558,472</u>	<u>3,562,058</u>	<u>6,120,530</u>	<u>102,494</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$2,507,437</u></u>	<u><u>\$3,553,521</u></u>	<u><u>\$6,060,958</u></u>	<u><u>\$861,834</u></u>

(continued)

City of Lorain, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2005

	Business-Type Activities			Governmental Activities
	Water Works	Water Pollution Control	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$2,255,274	\$1,869,868	\$4,125,142	\$924,529
<i>Adjustments:</i>				
Depreciation	709,634	1,617,064	2,326,698	2,727
(Increase) Decrease in Assets:				
Accounts Receivable	24,316	60,240	84,556	0
Interfund Receivable	(22)	1,841	1,819	(82,703)
Intergovernmental Receivable	9,697	(17,408)	(7,711)	0
Materials and Supplies Inventory	2,954	5,652	8,606	(282,806)
Prepaid Items	681	7,203	7,884	(112)
Increase (Decrease) in Liabilities:				
Accounts Payable	97,810	72,197	170,007	(31,802)
Contracts Payable	(4,774)	(305,866)	(310,640)	0
Accrued Wages and Benefits	(3,161)	(8,360)	(11,521)	378
Claims Payable	0	0	0	11,181
Matured Compensated Absences Payable	(35,905)	(11,766)	(47,671)	(1,276)
Compensated Absences Payable	15,897	(4,464)	11,433	393
Interfund Payable	(3,929)	5,751	1,822	0
Intergovernmental Payable	(13,964)	(20,519)	(34,483)	1,188
Retainage Payable	(128,281)	(95,778)	(224,059)	0
<i>Total Adjustments</i>	670,953	1,305,787	1,976,740	(382,832)
<i>Net Cash Provided by Operating Activities</i>	\$2,926,227	\$3,175,655	\$6,101,882	\$541,697

See accompanying notes to the basic financial statements

City of Lorain, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2005

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$514,302</u></u>
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Liabilities

Deposits Held and Due to Others	<u><u>\$514,302</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, 2005

Note 1 – Description of City and Reporting Entity

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

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

Reporting Entity

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

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

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

The City 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 17 and 18, respectively.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

B. Fund Accounting

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

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

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

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

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

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

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

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

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

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

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

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

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

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

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

F. Cash and Cash Equivalents

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

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

The City has segregated bank accounts for monies held separate from the City's bank accounts. These interest-bearing deposit accounts are presented on the 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 2005, investments were limited to repurchase agreements, mutual funds and STAROhio. Investments are reported at fair value, which is based on quoted market prices, with the exception of repurchase agreements, which are reported at cost.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

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, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$117,170 which was assigned from other City funds.

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Unamortized Bond Issuance Costs

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

J. Restricted Assets

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

K. Capital Assets

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

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

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

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

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

L. Interfund Balances

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

M. Compensated Absences

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

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Fund Balance Reserves

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

P. Net Assets

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

The government-wide statement of net assets reports \$32,045,123 of restricted net assets, of which \$1,317,908 is restricted by enabling legislation.

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

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Q. Interfund Activity

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

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

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

T. Estimates

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

Note 3 – Change in Accounting Principles

For 2005, the City has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, and GASB Statement No. 44, “Economic Condition Reporting: The Statistical Section.”

GASB Statement No. 40 establishes new disclosure requirements associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

City of Lorain, Ohio
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GASB Statement No. 44 establishes improved understandability and usefulness of the information that State and local governments present as supplementary information in the statistical section.

The implementation of GASB Statement No. 40, GASB Statement No. 42, and GASB statement 44 did not affect the presentation of the financial statements of the City.

Note 4 – Fund Deficits and Legal Compliance

A. Fund Deficits

Fund balances at December 31, 2005 included the following individual fund balance deficits:

Major Funds:	Deficit
General Obligation Bond Retirement	\$4,879,317
Nonmajor Funds:	
Special Revenue Funds:	
Health Services	68,339
Fire Pension	41,913

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

B. Legal Compliance

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

Major Funds:	Final Appropriations	Expenditures Plus Encumbrances	Excess
General Fund:			
Civil Service			
Wages and Benefits	\$79,205	\$81,430	(\$2,225)
Electrical			
Contractual Services	64,810	91,120	(26,310)
Safety/Service Director			
Contractual Services	453,438	1,252,923	(799,485)
Police Department			
Wages and Benefits	7,099,876	8,224,328	(1,124,452)
Fire Department			
Wages and Benefits	6,280,433	7,206,678	(926,245)
Nonmajor Funds:			
Streets			
Wages and Benefits	1,420,775	1,421,708	(933)

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

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

<u>Major Fund:</u>	<u>Amount</u>
General	\$1,249,726

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
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Net Change in Fund Balance

	<u>General</u>	<u>Community Development</u>
GAAP Basis	\$885,862	(\$297,472)
Net Adjustment for Revenue Accruals	(318,503)	467,845
Loan Repayments	0	2,364,671
Advances Out	(583,924)	0
Advances In	1,110,024	0
Net Adjustment for Expenditure Accruals	362,086	(903,351)
Loans Issued	0	(1,445,949)
Debt Interest and Fiscal Charges	0	7,202
Encumbrances	<u>(856,030)</u>	<u>(1,157,692)</u>
Budget Basis	<u>\$599,515</u>	<u>(\$964,746)</u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Lorain, Ohio
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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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year-end, \$9,399,055 of the City's bank balance of \$9,639,055 was uninsured and uncollateralized. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

City of Lorain, Ohio
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Investments

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

<u>Description</u>	<u>Fair Market Value</u>	<u>Investment Maturities Less Than 1 Year</u>	<u>Credit Rating</u>
Repurchase Agreements	\$762,674	\$762,674	Aa2
Money Market Funds	4,345,405	4,345,405	not rated
STAROhio	4,009,117	4,009,117	AAAm
Total Investments	<u>\$9,117,196</u>	<u>\$9,117,196</u>	

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the City's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

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

Credit Risk The City's repurchase agreements are with JP Morgan Chase Bank, NA and the underlying securities have a credit rating of Aa2 as listed with Moody's Investors Service. The money market funds are invested with Lorain National Bank (LNB Bancorp, Inc.) which is not currently rated through any of the major rating services because the bank does not issue debt. Lorain National Bank does carry a classification of Well Capitalized from the Federal Deposit Insurance Corporation (FDIC). STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The City's investment policy allows investments in Repurchase Agreements, Money Market Mutual Funds and STAR Ohio and allowable investments as defined by the Ohio Revised Code. The City has invested 8 percent of its investments in Repurchase Agreements, 48 percent in Money Market Mutual Funds, and 44 percent in STAR Ohio.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Note 7 - Receivables

Receivables at December 31, 2005 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 \$664,719 and delinquent special assessments outstanding are \$786,955.

The City's community development loans receivable from businesses and property owners contain certain amounts for which the repayment, due to bankruptcies and/or defaults, has been estimated. The loans receivable balance of \$17,014,580 on the basic financial statements is stated net of estimated uncollectibles of \$1,326,502, with \$2,234,342 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, 2005 the fund has recorded a loan receivable balance of \$225,493 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 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility real and tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes which become a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

City of Lorain, Ohio
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For The Year Ended December 31, 2005

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

Real Property	\$812,413,250
Public Utility Property	74,269,390
Tangible Personal Property	<u>94,023,132</u>
Total Valuation	<u><u>\$980,705,772</u></u>

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The Lorain County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Lorain. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2005 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 2005 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified basis the revenue is deferred.

B. Income Taxes

On March 1, 2005 the City increased the municipal income tax from one and three-quarter percent (1.75 percent) to two percent (2 percent). The one quarter percent (.25 percent) increase is designated for the general fund. This municipal tax is levied on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of one point nine five eight percent (1.958 percent) prorated for the year 2005 only, of the taxable income earned in or attributable to the municipality of employment or business activity. One and three-quarter percent (1.75 percent) is levied for general purposes and one quarter percent (0.25 percent) is designated for the police levy fund.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

C. Intergovernmental Receivables

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

	<u>Amount</u>
<u>Governmental Activities:</u>	
Grants	\$5,434,985
Local Government	2,416,639
Gasoline Tax	958,664
Homestead and Rollback	232,500
Estate tax	102,619
Motor Vehicle Tax	28,008
Charges for Services	25,420
Permissive Tax	22,107
Liquor and beer Tax	20,321
Other Taxes	<u>78</u>
Total Governmental Activities	9,241,341
 <u>Business-Type Activities:</u>	
Utility Charges	<u>64,122</u>
Total	<u><u>\$9,305,463</u></u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$8,372,342	\$0	\$0	\$8,372,342
Construction in Progress	16,989,303	3,896,466	(7,350,427)	13,535,342
<i>Total Capital Assets, Not Being Depreciated</i>	<u>25,361,645</u>	<u>3,896,466</u>	<u>(7,350,427)</u>	<u>21,907,684</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	14,147,674	806,883	0	14,954,557
Machinery and Equipment	12,666,078	2,349,520	(37,541)	14,978,057
Furniture and Fixtures	89,268	8,490	0	97,758
Infrastructure:				
Streets and Sidewalks	987,832,763	7,432,883	0	995,265,646
<i>Total Capital Assets, Being Depreciated</i>	<u>1,014,735,783</u>	<u>10,597,776</u>	<u>(37,541)</u>	<u>1,025,296,018</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,407,903)	(342,819)	0	(5,750,722)
Machinery and Equipment	(5,271,054)	(722,590)	20,301	(5,973,343)
Furniture and Fixtures	(35,040)	(4,675)	0	(39,715)
Infrastructure:				
Streets and Sidewalks	(856,572,216)	(16,664,293)	0	(873,236,509)
<i>Total Accumulated Depreciation</i>	<u>(867,286,213)</u>	<u>(17,734,377)</u>	<u>20,301</u>	<u>(885,000,289)</u>
Total Capital Assets, Being Depreciated, Net	<u>147,449,570</u>	<u>(7,136,601)</u>	<u>(17,240)</u>	<u>140,295,729</u>
Governmental Activities Capital Assets, Net	<u>\$172,811,215</u>	<u>(\$3,240,135)</u>	<u>(\$7,367,667)</u>	<u>\$162,203,413</u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
Business-type Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$617,876	\$0	\$0	\$617,876
Construction in Progress	11,480,697	1,393,833	(5,045,967)	7,828,563
<i>Total Capital Assets, Not Being Depreciated</i>	<u>12,098,573</u>	<u>1,393,833</u>	<u>(5,045,967)</u>	<u>8,446,439</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	49,226,480	565,927	0	49,792,407
Machinery and Equipment	19,233,078	688,084	0	19,921,162
Infrastructure:				
Water Lines	21,749,782	3,963,987	0	25,713,769
Sewer Lines	49,355,020	178,211	0	49,533,231
<i>Total Capital Assets, Being Depreciated</i>	<u>139,564,360</u>	<u>5,396,209</u>	<u>0</u>	<u>144,960,569</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(22,012,059)	(906,711)	0	(22,918,770)
Machinery and Equipment	(16,826,082)	(177,357)	0	(17,003,439)
Infrastructure:				
Water Lines	(9,578,859)	(389,471)	0	(9,968,330)
Sewer Lines	(25,791,248)	(853,159)	0	(26,644,407)
<i>Total Accumulated Depreciation</i>	<u>(74,208,248)</u>	<u>(2,326,698)</u>	<u>0</u>	<u>(76,534,946)</u>
Total Capital Assets, Being Depreciated, Net	<u>65,356,112</u>	<u>3,069,511</u>	<u>0</u>	<u>68,425,623</u>
Business-type Activities Capital Assets, Net	<u>\$77,454,685</u>	<u>\$4,463,344</u>	<u>(\$5,045,967)</u>	<u>\$76,872,062</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$4,345,548
Security of Persons and Property	336,738
Transportation	12,699,837
Public Health	29,913
Community Environment	4,507
Economic Development	61,286
Leisure Time Activities	256,548
Total Depreciation Expense	<u>\$17,734,377</u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Note 9 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City does not carry general liability insurance. The City's policy for general liability claims is to bear the cost of these claims. The City accrues general liability claims in the General fund. The accrual is based on claims paid in each of the previous three years. During 2005, 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 Boiler/Machinery Coverage	50,000,000
	Property and Contents City Buildings	115,305,279

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

B. Workers' Compensation

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

C. Health Insurance Benefits

The City manages the hospital/medical, prescription drug, vision, and dental benefits for its employees on a self-insured basis through the hospitalization self insurance internal service fund. Payments to the fund are made from the fund from which each employee is paid. Rates for 2005 were \$800 per month for single and family coverage. Employees covered under separate ordinances for non-bargaining, management, United Steelworkers Local 6621 and elected officials paid \$40 for family coverage and \$20 for single coverage per month for the second half of the year. Police and Fire bargaining unit employees were not required to pay for

City of Lorain, Ohio
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health insurance coverage. The Plan Administrator for the City determines these rates. Medical Mutual of Ohio, the third party administrator, processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$100,000 per employee and an aggregate of \$2,992,028 per year. The \$100,000 specific threshold was exceeded by \$12,881. The City received an invoice credit for the excess. The aggregate was not exceeded.

The claims liability of \$339,147 reported in the fund at December 31, 2005 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 2004 and 2005 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2004	\$500,158	\$4,141,851	\$4,314,043	\$327,966
2005	327,966	3,947,452	3,936,271	339,147

Note 10 – Note Debt

A summary of note transactions for the year ended December 31; 2005 follows:

	Balance 12/31/04	Additions	Deletions	Balance 12/31/05
GOVERNMENTAL FUNDS				
2005, 4.50% Real Estate Acquisition and Street Improvement	\$0	\$5,495,000	\$0	\$5,495,000

The note is backed by the full faith and credit of the City of Lorain and matures within one year. The maturity date for the outstanding note is October 4, 2006. The note liability is reflected in the funds which received the proceeds. All note proceeds have been fully expended. The real estate acquisition and street improvement note will be paid from the general obligation bond retirement debt service fund as it is reissued and then from bonds upon the completion of the projects.

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Note 11 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds:</i>			
1984 Fire Station Improvements	10.75 %	\$630,000	December 1, 2005
1984 Real Estate Acquisition	10.75	635,000	December 1, 2005
1984 Real Estate Acquisition	10.75	715,000	December 1, 2005
1984 Storm Sewer	10.75	1,340,000	December 1, 2005
1988 Street Improvement (G.O. Portion)	7.50	255,563	December 1, 2008
1989 Various Purposes Improvement	6.50-7.875	2,000,000	December 1, 2009
1995 Various Purposes - (G.O. Portion)	3.90-5.65	3,259,890	December 1, 2015
1998 Capital Purposes	3.80-5.00	3,680,000	December 1, 2018
1999 Accrued Pension Fund Liability	3.50-5.375	2,070,000	December 1, 2024
2000 Riverfront Urban Renewal Phase I	4.55-5.70	4,850,000	December 1, 2028
2002 Safety/Service Action Plan	3.00-5.50	8,905,000	December 1, 2026
2003 Riverfront Urban Renewal Phase II & III	2.40-4.75	4,470,000	December 1, 2032
2003 Park and Street Improvements (G.O. Portion)	2.00-5.00	1,200,500	December 1, 2023
2005 Energy Conservation	4.35	2,499,223	December 1, 2015
<i>Special Assessment Bonds:</i>			
1988 Street Improvement	7.50	1,469,437	December 1, 2008
2003 Park and Street Improvements	2.00-5.00	574,500	December 1, 2023
<i>HUD Section 108 Loans:</i>			
Community Development - Series 2002-A (B-92-MC-39-0016)	4.64-7.90	100,000	August 1, 2012
Head Start - Series 2002-A (B-92-MC-39-0016-A)	4.64-7.90	1,100,000	August 1, 2012
Head Start - Series 2000-A (B-99-MC-0016)	7.50-8.00	2,375,000	August 1, 2019
Colorado Industrial Park - Series 2002-A (B-99-MC-0016)	4.40-6.00	2,000,000	August 1, 2021
Land Aquisition - Series 2004-A (B-03-MC-39-0016)	3.50-6.00	2,200,000	August 1, 2024

City of Lorain, Ohio
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Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Long-Term Notes:</i>			
Real Estate Acquisition & Street Improvement	2.75 %	\$4,000,000	March 17, 2005
Street Improvement Note	3.52	150,000	June 15, 2005
Real Estate Acquisition & Street Improvement	4.00	4,750,000	October 6, 2005
<i>Ohio Public Works Commission Loans:</i>			
1997 Local Roadway Rehab (#CI04A)	0.00	18,040	January 1, 2014
1999 Local Roadway Rehab (#CI13C)	0.00	17,409	July 1, 2011
Oak Point Road Improvements (#CI002)	0.00	405,776	January 1, 2021
Longbrook Bridge Replacement (#CI01D)	0.00	250,000	July 1, 2021
California Avenue (#CI31D)	0.00	483,645	January 1, 2022
Jaeger Road (#CI40E)	0.00	259,191	January 1, 2013
2002 Local Roadway Rehab (#CI22F)	0.00	236,844	July 1, 2014
Fulmer/Meister Road Improvements (#CI48G)	0.00	412,449	January 1, 2015
2003 Local Roadway Rehab (#CI22G)	0.00	102,000	January 1, 2015
2004 Local Roadway Rehab (#CI33H)	0.00	123,575	January 1, 2016
<i>Enterprise General Obligation Bonds:</i>			
1984 Water Various Purpose	10.75	2,000,000	December 1, 2005
1984 Sewer Various Purpose	10.75	2,500,000	December 1, 2005
1995 Various Purpose - (Water Fund portion)	3.90-5.65	2,405,110	December 1, 2013
Energy Conservation Bond-Water	4.35	73,816	December 1, 2015
Energy Conservation Bond-WPC	4.35	226,961	December 1, 2015
<i>Enterprise Revenue Bonds:</i>			
1995 Water System Revenue	3.95-5.25	10,000,000	December 1, 2016
1995 Sewer System Refunding Revenue	3.80-5.60	8,035,000	December 1, 2011
<i>Ohio Water Development Authority Loans:</i>			
1978 SE Sewer Intercept (#1001)	6.25	2,856,352	July 1, 2011
2000 East Erie Waterlines (#2037)	5.50	2,211,916	January 1, 2020
2000 E. 28th St./Pearl Ave. Relief Sewer, Pump Station (#2321)	2.91	1,137,701	July 1, 2020
2001 Colorado Ave./Root Rd. Waterline Replacement (#3188)	6.12	449,287	January 1, 2021
2001 Colorado/Root/E. Erie Waterline Replacement (#3253)	4.38	2,712,348	January 1, 2021
2001 Westside Waterline Replacement (#3284)	4.64	2,425,291	July 1, 2021
2001 Tacoma Ave. Relief Sewer (#2322)	2.81	4,911,581	January 1, 2021
2001 Idaho Ave. SSO Elimination (#3268)	3.66	10,274,518	January 1, 2021
2003 4W Waterline Replacement (Various locations) (#3814)	4.90	3,585,574	July 1, 2034
2004 Kay Drive Retention Basin (#4150)	3.81	2,163,839	January 1, 2021
2004 Amherst Township Relief Sewer (#4151)	3.81	889,010	January 1, 2021
2004 Pearl Road & Tacoma Pump Station (4156)	3.81	1,282,116	July 1, 2022

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Changes in bonds and other long-term obligations of the City during 2005 were as follows:

	Principal Outstanding 12/31/04	Additions	Deletions	Principal Outstanding 12/31/05	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
Fire Station Improvements	\$35,000	\$0	\$35,000	\$0	\$0
Real Estate Acquisition	35,000	0	35,000	0	0
Real Estate Acquisition	40,000	0	40,000	0	0
Storm Sewer	70,000	0	70,000	0	0
Street Improvement	53,335	0	13,334	40,001	13,334
Various Purpose Improvements	500,000	0	100,000	400,000	100,000
Various Purposes	1,800,000	0	155,000	1,645,000	160,000
Capital Purposes	1,795,000	0	290,000	1,505,000	305,000
Accrued Pension Fund Liability	1,795,000	0	55,000	1,740,000	55,000
Riverfront Urban Renewal Phase I	4,655,000	0	105,000	4,550,000	110,000
Safety/Service Action Plan	8,330,000	0	310,000	8,020,000	320,000
Riverfront Urban Renewal Phase II & III	4,470,000	0	0	4,470,000	0
Park and Street Improvements	1,156,538	0	43,962	1,112,576	43,962
2005 Energy Conservation	0	2,499,223	0	2,499,223	182,979
Unamortized Premium	17,998	0	947	17,051	0
Total General Obligation Bonds	24,752,871	2,499,223	1,253,243	25,998,851	1,290,275
<i>Special Assessment Bonds</i>					
<i>With Governmental Commitment:</i>					
Street Improvement	306,665	0	76,666	229,999	76,666
Park and Street Improvements	553,462	0	21,038	532,424	21,038
Total Special Assessment Bonds	860,127	0	97,704	762,423	97,704
<i>HUD Section 108 Loans</i>					
Community Development	1,750,000	0	125,000	1,625,000	125,000
Head Start	80,000	0	10,000	70,000	10,000
Head Start	880,000	0	110,000	770,000	110,000
Colorado Instrustrial Park	1,875,000	0	125,000	1,750,000	125,000
Land Acquisition	2,200,000	0	70,000	2,130,000	75,000
Total HUD Section 108 Loans	6,785,000	0	440,000	6,345,000	445,000
<i>Other Obligations</i>					
Long-Term Notes	4,150,000	0	4,150,000	0	0
Real Estate Acquisition/Street Impr	0	4,750,000	4,750,000	0	0
OPWC Loans	1,904,310	130,178	160,963	1,873,525	173,321
Capital Leases	425,643	1,849,994	176,410	2,099,227	305,560
Compensated Absences	5,463,128	979,420	557,231	5,885,317	1,077,834
Total Governmental Activities	\$44,341,079	\$10,208,815	\$11,585,551	\$42,964,343	\$3,389,694

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

	Principal Outstanding 12/31/04	Additions	Deletions	Principal Outstanding 12/31/05	Due Within One Year
Business-Type Activities					
<i>General Obligation Bonds:</i>					
Water Various Purpose	\$100,000	\$0	\$100,000	\$0	\$0
Sewer Various Purpose	125,000	0	125,000	0	0
Various Purpose - Water	1,325,000	0	115,000	1,210,000	125,000
2005 Energy Conservation-WTR	0	73,816	0	73,816	5,404
2005 Energy Conservation-WPC	0	226,961	0	226,961	16,617
<i>Total General Obligation Bonds</i>	<u>1,550,000</u>	<u>300,777</u>	<u>340,000</u>	<u>1,510,777</u>	<u>147,021</u>
<i>Revenue Bonds:</i>					
Water System Revenue	7,024,096	7,632	440,000	6,591,728	465,000
Sewer System Refunding Revenue	4,338,936	2,570	535,000	3,806,506	560,000
Deferred Loss on Refunding	(346,964)	55,495	0	(291,469)	0
<i>Total Revenue Bonds</i>	<u>11,016,068</u>	<u>65,697</u>	<u>975,000</u>	<u>10,106,765</u>	<u>1,025,000</u>
<i>Ohio Water Development</i>					
<i>Authority Loans:</i>					
SE Sewer Intercept	1,021,747	0	131,991	889,756	140,241
East Erie Waterlines	1,857,872	0	82,909	1,774,963	87,469
E. 28th St./Pearl Ave. Relief Sewer	935,746	0	48,557	887,189	49,980
Colorado Ave./Root Rd. Waterline	396,956	0	15,179	381,777	16,124
Colorado/Root/E. Erie Waterline	2,340,059	0	103,599	2,236,460	108,186
Westside Waterline Replacement	2,144,016	0	88,945	2,055,071	93,120
Tacoma Ave. Relief Sewer	4,084,286	0	207,936	3,876,350	215,270
Idaho Ave. SSO Elimination	8,439,342	0	404,358	8,034,984	419,293
4W Waterline Replacement	3,535,458	22,933	56,380	3,502,011	59,177
Kay Drive Retention Basin	2,071,053	48,036	92,073	2,027,016	96,236
Amherst Township Relief Sewer	870,649	0	37,779	832,870	39,648
Pearl Road & Tacoma Pump Station	827,588	454,528	50,437	1,231,679	52,682
<i>Total Ohio Water Development</i>	<u>28,524,772</u>	<u>525,497</u>	<u>1,320,143</u>	<u>27,730,126</u>	<u>1,377,426</u>
Capital Leases	132,395	0	13,020	119,375	13,688
Compensated Absences	1,179,511	88,850	77,417	1,190,944	163,012
<i>Total Business-Type Activities</i>	<u>\$42,402,746</u>	<u>\$980,821</u>	<u>\$2,725,580</u>	<u>\$40,657,987</u>	<u>\$2,726,147</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.

The real estate acquisition and street improvement notes were retired during 2005.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

OPWC loans will be paid from the general obligation bond retirement debt service fund.

Capital leases will be paid from the general fund and the street construction special revenue fund.

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

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

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

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

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

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, 2005:

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,401,940
Restricted assets held by the City	
Utility Reserve Fund	971,815
Replacement and Improvement Fund	150,000

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

The sewer system refunding bonds, Series 1995 had a balance at December 31, 2005 of \$3,806,506 net of the unamortized discount.

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

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

In conjunction with the issuance of the water revenue bonds and the requirements of the indenture agreement, the City entered into a trust agreement with a commercial bank. The trust agreement requires that the City establish various funds for the construction, replacement, and repayment of debt relating to the construction and improvement of the water system. The restricted assets balance in the water fund segregates funds held by the trustees in accordance with the trust agreement. Restricted assets relating to the revenue bonds consisted of the following at December 31, 2005:

Restricted assets held by the Trustee	
Revenue Bond Current Debt Service	\$1,170,099
Restricted assets held by the City	
Utility Reserve Fund	333,929
Replacement and Improvement Fund	150,000

The water revenue bonds, Series 1995, had a balance at December 31, 2005 of \$6,591,728 net of the unamortized discount.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

The City's overall legal debt margin was \$68,482,312 at December 31, 2005. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

Governmental Activities:

Years	General Obligation Bonds		Special Assessment Bonds		HUD Section 108 Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$1,290,275	\$1,273,820	\$97,704	\$46,687	\$445,000	\$363,004
2007	1,366,515	1,195,226	97,704	40,516	445,000	343,322
2008	1,408,822	1,132,433	99,323	34,319	450,000	322,272
2009	1,323,877	1,066,477	22,657	28,022	455,000	299,857
2010	1,256,185	1,005,304	24,275	21,592	455,000	276,334
2011-2015	6,649,186	4,162,055	132,701	94,478	1,852,000	1,019,295
2016-2020	4,663,314	2,737,052	166,686	63,282	1,525,000	495,019
2021-2025	4,863,626	1,524,026	121,373	20,229	718,000	102,321
2026-2030	2,595,000	428,419	0	0	0	0
2031-2035	565,000	38,475	0	0	0	0
Total	\$25,981,800	\$14,563,287	\$762,423	\$349,125	\$6,345,000	\$3,221,424

Years	OPWC	Total	
	Loans	Governmental Activities	
	Principal	Principal	Interest
2006	\$173,321	\$2,006,300	\$1,683,512
2007	173,321	2,082,540	1,579,064
2008	173,321	2,131,466	1,489,024
2009	173,321	1,974,855	1,394,356
2010	173,321	1,908,780	1,303,230
2011-2015	691,634	9,325,521	5,275,828
2016-2020	284,854	6,639,854	3,295,353
2021-2025	30,432	5,733,432	1,646,575
2026-2030	0	2,595,000	428,419
2031-2035	0	565,000	38,475
Total	\$1,873,525	\$34,962,748	\$18,133,836

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Business-Type Activities:

Years	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$147,021	\$82,186	\$1,025,000	\$522,611
2007	155,781	72,488	1,075,000	469,711
2008	166,855	64,542	1,130,000	413,060
2009	173,466	55,884	1,190,000	352,298
2010	184,541	46,454	1,245,000	287,311
2011-2015	683,113	81,614	4,050,000	672,240
2016-2020	0	0	775,000	20,150
2021-2025	0	0	0	0
2026-2030	0	0	0	0
2031-2035	0	0	0	0
Total	\$1,510,777	\$403,168	\$10,490,000	\$2,737,381

Years	OWDA Loans		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$1,129,683	\$810,032	\$2,301,704	\$1,414,829
2007	1,176,467	763,249	2,407,248	1,305,448
2008	1,225,330	714,385	2,522,185	1,191,987
2009	1,276,372	663,344	2,639,838	1,071,526
2010	1,329,696	610,019	2,759,237	943,784
2011-2015	6,555,614	2,261,636	11,288,727	3,015,490
2016-2020	7,352,022	894,566	8,127,022	914,716
2021-2025	91,366	2,125	91,366	2,125
2026-2030	0	0	0	0
2031-2035	0	0	0	0
Total	\$20,136,550	\$6,719,356	\$32,137,327	\$9,859,905

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, 2005

Enterprise Funds

Water Works	\$3,502,011
Water Pollution Control	<u>4,091,565</u>
Total	<u><u>\$7,593,576</u></u>

Note 12 - Capital Leases

In 2005 the City entered into a lease for the acquisition of street cleaning equipment and dump trucks. In prior years, the City entered into leases for the acquisition of equipment, for police cruisers and a sewer cleaner. The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, "Accounting for Leases". Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

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

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

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
<i>Capital Assets, Being Depreciated:</i>		
Machinery and Equipment	\$1,792,127	\$176,373
Less Accumulated Depreciation:		
Machinery and Equipment	<u>(290,206)</u>	<u>(33,764)</u>
<i>Capital Assets, Net</i>	<u><u>\$1,501,921</u></u>	<u><u>\$142,609</u></u>

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

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, 2005:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2006	\$397,096	\$19,812
2007	451,971	105,688
2008	318,077	0
2009	318,077	0
2010	318,077	0
2011	318,077	0
2012	318,077	0
Total Minimum Lease Payments	<u>2,439,452</u>	<u>125,500</u>
Less: Amount Representing Interest	<u>(340,225)</u>	<u>(6,125)</u>
Present Value of Minimum Lease Payments	<u><u>\$2,099,227</u></u>	<u><u>\$119,375</u></u>

Note 13 - Compensated Absences

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

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employee Retirement System

The City of Lorain participates in the Ohio Public Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, 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 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004 and 2003, were \$1,987,536, \$2,083,565, and \$2,067,075, respectively; 73.74 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$10,114 made by the City and \$6,345 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

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 \$1,051,876 and \$1,105,907 for the year ended December 31, 2005, \$999,213 and \$1,111,885 for the year ended December 31, 2004, and \$1,000,756 and \$1,069,395 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 72.40 percent and 72.15 percent, respectively, have been contributed for 2005.

Note 15 - Post Employment Benefits

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.0 percent was the portion that was used to fund health care.

Benefits are advanced-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually in subsequent years.

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

The number of active contributing participants in the traditional and combined plans were 376,109. Actual employer contributions for 2005, which were used to fund postemployment benefits, were \$589,906. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24.0 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$418,015 for police and \$357,097 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2004, (the latest information available) were \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available was 13,812 for police and 10,528 for firefighters.

Note 16 – Contractual Commitments

As of December 31, 2005, the open construction contracts for the water pollution control department were \$428,294.

For relief sewer and retention basin construction there are open construction contracts with Mosser Construction Inc. for \$208,061, Mark Schaffer Excavating and Trucking Inc. for \$70,990 and Bay Mechanical in the amount of \$19,162.

The City also had open construction contracts with Fabrizi Trucking and Paving Company Inc. for the Riverfront Urban Renewal project in the amount of \$134,626 and \$189,773 with Panzica Construction for the Police Station Expansion project. The total open construction contracts for the Riverfront Urban Renewal project and the Police Station Expansion project totaled \$254,483 and \$322,528 respectively at the end of 2005.

Note 17 – Jointly Governed Organization

Northeast Ohio Areawide Coordinating Agency

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina Counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 38 member board that includes the Mayor of the City of Lorain. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2005, the City contributed \$15,820 to the agency.

Note 18 - Related Organization

Lorain Port Authority

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

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

Note 19 - Interfund Transfers and Balances

A. Transfers

Transfers are primarily from the general fund to various funds within the City. The general fund transferred funds to help finance the various programs accounted for in other funds. The police levy fund transferred monies to the general fund to supplement the police overtime account to enable the City to increase patrols on weekends to further reduce crime in the City.

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

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

Transfers made during the year ended December 31, 2005 were as follows:

	Transfer From		
	Governmental Activities		
	General	Nonmajor	Totals
Transfer To			
Governmental Activities			
General Fund	\$0	\$180,000	\$180,000
Community Development			
Block Grant	0	50,000	50,000
G.O. Bond Retirement	605,792	207,699	813,491
Capital Improvements	0	83,815	83,815
Nonmajor Funds	867,982	0	867,982
Total	\$1,473,774	\$521,514	\$1,995,288

City of Lorain, Ohio
Notes to The Basic Financial Statements
For The Year Ended December 31, 2005

B. Balances

The interfund balances as of December 31, 2005 represent eliminating negative cash, unallocated municipal court fines, utility and petroleum costs.

Interfund Payable	Interfund Receivable					Governmental Activities- Internal Service	Total
	Governmental Activities			Business-Type Activities			
	General	Capital Improvements	Nonmajor	Water Works	Water Pollution Control	Garage	
Governmental Activities							
General	\$0	\$1,249,726	\$21,360	\$375,022	\$376,265	\$63,187	\$2,085,560
Community Development							
Block Grant	0	0	0	0	0	545	545
Nonmajor	3,585	41,913	0	0	0	78,427	123,925
<i>Total Governmental Activities</i>	<u>3,585</u>	<u>1,291,639</u>	<u>21,360</u>	<u>375,022</u>	<u>376,265</u>	<u>142,159</u>	<u>2,210,030</u>
Business-Type Activities							
Water Works	0	0	0	0	0	25,986	25,986
Water Pollution Control	0	0	0	0	0	12,173	12,173
<i>Total Business-Type Activities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,159</u>	<u>38,159</u>
Internal Service							
Garage	310,128						310,128
Total	<u>\$313,713</u>	<u>\$1,291,639</u>	<u>\$21,360</u>	<u>\$375,022</u>	<u>\$376,265</u>	<u>\$180,318</u>	<u>\$2,558,317</u>

Note 20 - Litigation

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



**Combining Statements
and Individual Fund Schedules**

Fund Descriptions - Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

Streets Fund

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

Permissive License Fund

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

Health Services Fund

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

Litter Control Fund

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

Police Levy Fund

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

Mandatory Drug Fund

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

Police Pension Fund

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

Fire Pension Fund

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

Indigent Drivers Fund

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

Park Land Fund

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

(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.

Municipal Court Probation Fund

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

Nonmajor Debt Service Fund

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

Special Assessment Bond Retirement Fund

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

Nonmajor Capital Projects Funds

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

General Sewer Fund

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

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, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,715,320	\$0	\$924,463	\$3,639,783
Cash and Cash Equivalents With Escrow Agents	517,874	0	0	517,874
Materials and Supplies Inventory	192,538	0	0	192,538
Interfund Receivable	17,271	0	4,089	21,360
Intergovernmental Receivable	1,128,779	0	0	1,128,779
Prepaid Items	3,583	0	6,850	10,433
Municipal Income Taxes Receivable	405,781	0	0	405,781
Property and Other Taxes Receivable	591,158	0	0	591,158
Special Assessment Receivable	0	660,791	0	660,791
<i>Total Assets</i>	<u>\$5,572,304</u>	<u>\$660,791</u>	<u>\$935,402</u>	<u>\$7,168,497</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$95,681	\$0	\$18,295	\$113,976
Contracts Payable	0	0	53,722	53,722
Accrued Wages and Benefits	54,096	0	0	54,096
Matured Compensated Absences Payable	1,502	0	0	1,502
Intergovernmental Payable	200,550	0	0	200,550
Interfund Payable	120,340	0	3,585	123,925
Deferred Revenue	1,382,380	660,791	0	2,043,171
<i>Total Liabilities</i>	<u>1,854,549</u>	<u>660,791</u>	<u>75,602</u>	<u>2,590,942</u>
Fund Balances				
Reserved for Encumbrances	768,139	0	126,647	894,786
Reserved for Leases	517,874			517,874
Unreserved, Undesignated				
Special Revenue Funds	2,431,742	0	0	2,431,742
Capital Projects Funds	0	0	733,153	733,153
<i>Total Fund Balances</i>	<u>3,717,755</u>	<u>0</u>	<u>859,800</u>	<u>4,577,555</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,572,304</u>	<u>\$660,791</u>	<u>\$935,402</u>	<u>\$7,168,497</u>

City of Lorain, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property and Other Taxes	\$568,666	\$0	\$0	\$568,666
Municipal Income Taxes	2,480,715	0	0	2,480,715
Charges for Services	476,714	0	408,475	885,189
Licenses and Permits	226,328	0	0	226,328
Fines and Forfeitures	275,271	0	66,413	341,684
Intergovernmental	3,233,291	0	0	3,233,291
Special Assessments	0	73,280	0	73,280
Interest	0	0	25,559	25,559
Miscellaneous	43,141	0	2,215	45,356
<i>Total Revenues</i>	<u>7,304,126</u>	<u>73,280</u>	<u>502,662</u>	<u>7,880,068</u>
Expenditures				
Current:				
General Government	250,772	3,900	0	254,672
Security of Persons and Property	2,275,343	0	0	2,275,343
Transportation	3,002,534	0	0	3,002,534
Public Health	1,764,654	0	0	1,764,654
Community Environment	208,210	0	0	208,210
Leisure Time Activities	65,386	0	0	65,386
Capital Outlay	0	0	2,315,150	2,315,150
Debt Service:				
Principal Retirement	380,331	97,704	0	478,035
Interest and Fiscal Charges	256,459	46,687	0	303,146
<i>Total Expenditures</i>	<u>8,203,689</u>	<u>148,291</u>	<u>2,315,150</u>	<u>10,667,130</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(899,563)</u>	<u>(75,011)</u>	<u>(1,812,488)</u>	<u>(2,787,062)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	1,249,994	0	0	1,249,994
Bonds Issued	36,420	0	0	36,420
Transfers In	792,971	75,011	0	867,982
Transfers Out	(230,000)	0	(291,514)	(521,514)
<i>Total Other Financing Sources (Uses)</i>	<u>1,849,385</u>	<u>75,011</u>	<u>(291,514)</u>	<u>1,632,882</u>
<i>Net Change in Fund Balances</i>	949,822	0	(2,104,002)	(1,154,180)
<i>Fund Balances Beginning of Year</i>	<u>2,767,933</u>	<u>0</u>	<u>2,963,802</u>	<u>5,731,735</u>
<i>Fund Balances End of Year</i>	<u>\$3,717,755</u>	<u>\$0</u>	<u>\$859,800</u>	<u>\$4,577,555</u>

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	Streets	Permissive License	Health Services	Litter Control	Police Levy
Assets					
Equity in Pooled Cash and Cash Equivalents	\$70,769	\$161,443	\$7,279	\$5,293	\$1,078,746
Cash and Cash Equivalents					
With Escrow Agents	517,874	0	0	0	0
Materials and Supplies Inventory	137,977	0	12,830	0	41,731
Interfund Receivable	0	0	0	0	0
Intergovernmental Receivable	986,672	22,107	90,000	0	0
Prepaid Items	0	0	2,629	0	954
Municipal Income Taxes Receivable	0	0	0	0	405,781
Property and Other Taxes Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$1,713,292</u>	<u>\$183,550</u>	<u>\$112,738</u>	<u>\$5,293</u>	<u>\$1,527,212</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$57,033	\$5,703	\$5,181	\$1,200	\$18,073
Accrued Wages and Benefits	21,354	0	18,463	0	13,428
Matured Compensated Absences Payable	0	0	0	0	1,502
Intergovernmental Payable	66,157	0	67,140	0	62,497
Interfund Payable	68,218	0	293	0	9,916
Deferred Revenue	618,287	0	90,000	0	52,935
<i>Total Liabilities</i>	<u>831,049</u>	<u>5,703</u>	<u>181,077</u>	<u>1,200</u>	<u>158,351</u>
Fund Balances					
Reserved for Encumbrances	528,648	150,840	2,241	0	57,210
Reserved for Leases	517,874	0	0	0	0
Unreserved, Undesignated (Deficit)	(164,279)	27,007	(70,580)	4,093	1,311,651
<i>Total Fund Balances (Deficit)</i>	<u>882,243</u>	<u>177,847</u>	<u>(68,339)</u>	<u>4,093</u>	<u>1,368,861</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,713,292</u>	<u>\$183,550</u>	<u>\$112,738</u>	<u>\$5,293</u>	<u>\$1,527,212</u>

<u>Mandatory Drug</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Indigent Drivers</u>	<u>Park Land</u>	<u>Cemetery</u>	<u>Law Enforcement</u>
\$13,806	\$23,841	\$0	\$136,245	\$73,198	\$20,169	\$566,094
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	259	0	0	0
0	15,000	15,000	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	295,579	295,579	0	0	0	0
<u>\$13,806</u>	<u>\$334,420</u>	<u>\$310,579</u>	<u>\$136,504</u>	<u>\$73,198</u>	<u>\$20,169</u>	<u>\$566,094</u>
\$0	\$0	\$0	\$0	\$0	\$7,310	\$0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	41,913	0	0	0	0
0	310,579	310,579	0	0	0	0
0	310,579	352,492	0	0	7,310	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
13,806	23,841	(41,913)	136,504	73,198	12,859	566,094
<u>13,806</u>	<u>23,841</u>	<u>(41,913)</u>	<u>136,504</u>	<u>73,198</u>	<u>12,859</u>	<u>566,094</u>
<u>\$13,806</u>	<u>\$334,420</u>	<u>\$310,579</u>	<u>\$136,504</u>	<u>\$73,198</u>	<u>\$20,169</u>	<u>\$566,094</u>

(continued)

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2005

	Municipal Court Computer	Legal Research	Municipal Court Security	Municipal Court Probation	Total Nonmajor Special Revenue Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$381,920	\$90,288	\$82,385	\$3,844	\$2,715,320
Cash and Cash Equivalents					
With Escrow Agents	0	0	0	0	517,874
Materials and Supplies Inventory	0	0	0	0	192,538
Interfund Receivable	9,002	2,701	3,134	2,175	17,271
Intergovernmental Receivable	0	0	0	0	1,128,779
Prepaid Items	0	0	0	0	3,583
Municipal Income Taxes Receivable	0	0	0	0	405,781
Property and Other Taxes Receivable	0	0	0	0	591,158
<i>Total Assets</i>	<u>\$390,922</u>	<u>\$92,989</u>	<u>\$85,519</u>	<u>\$6,019</u>	<u>\$5,572,304</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$1,181	\$0	\$0	\$0	\$95,681
Accrued Wages and Benefits	851	0	0	0	54,096
Matured Compensated Absences Payable	0	0	0	0	1,502
Intergovernmental Payable	2,904	0	1,852	0	200,550
Interfund Payable	0	0	0	0	120,340
Deferred Revenue	0	0	0	0	1,382,380
<i>Total Liabilities</i>	<u>4,936</u>	<u>0</u>	<u>1,852</u>	<u>0</u>	<u>1,854,549</u>
Fund Balances					
Reserved for Encumbrances	2,330	26,870	0	0	768,139
Reserved for Leases	0	0	0	0	517,874
Unreserved, Undesignated (Deficit)	383,656	66,119	83,667	6,019	2,431,742
<i>Total Fund Balances (Deficit)</i>	<u>385,986</u>	<u>92,989</u>	<u>83,667</u>	<u>6,019</u>	<u>3,717,755</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$390,922</u>	<u>\$92,989</u>	<u>\$85,519</u>	<u>\$6,019</u>	<u>\$5,572,304</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, 2005

	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	2,480,715
Charges for Services	0	0	423,890	0	52,824
Licenses and Permits	0	0	226,328	0	0
Fines and Forfeitures	0	0	0	0	0
Intergovernmental	2,174,663	259,502	493,526	211,784	18,448
Miscellaneous	0	0	0	0	18,141
<i>Total Revenues</i>	<u>2,174,663</u>	<u>259,502</u>	<u>1,143,744</u>	<u>211,784</u>	<u>2,570,128</u>
Expenditures					
Current:					
General Government	0	0	0	0	0
Security of Persons and Property	0	0	0	0	1,884,431
Transportation	2,857,093	145,441	0	0	0
Public Health	0	0	1,704,237	0	0
Community Environment	0	0	0	208,210	0
Leisure Time Activities	0	0	0	0	0
Debt Service:					
Principal Retirement	114,209	0	0	0	211,122
Interest and Fiscal Charges	19,684	0	0	0	143,089
<i>Total Expenditures</i>	<u>2,990,986</u>	<u>145,441</u>	<u>1,704,237</u>	<u>208,210</u>	<u>2,238,642</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(816,323)</u>	<u>114,061</u>	<u>(560,493)</u>	<u>3,574</u>	<u>331,486</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	1,249,994	0	0	0	0
Bonds Issued	0	0	36,420	0	0
Transfers In	283,161	0	509,810	0	0
Transfers Out	(50,000)	0	0	0	(180,000)
<i>Total Other Financing Sources (Uses)</i>	<u>1,483,155</u>	<u>0</u>	<u>546,230</u>	<u>0</u>	<u>(180,000)</u>
<i>Net Change in Fund Balances</i>	666,832	114,061	(14,263)	3,574	151,486
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>215,411</u>	<u>63,786</u>	<u>(54,076)</u>	<u>519</u>	<u>1,217,375</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$882,243</u>	<u>\$177,847</u>	<u>(\$68,339)</u>	<u>\$4,093</u>	<u>\$1,368,861</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, 2005

	Mandatory Drug	Police Pension	Fire Pension	Indigent Drivers	Park Land
Revenues					
Property and Other Taxes	\$0	\$290,550	\$278,116	\$0	\$0
Municipal Income Taxes	0	0	0	0	0
Charges for Services	0	0	0	0	0
Licenses and Permits	0	0	0	0	0
Fines and Forfeitures	11,892	0	0	13,974	0
Intergovernmental	0	37,684	37,684	0	0
Miscellaneous	0	0	0	0	25,000
<i>Total Revenues</i>	<u>11,892</u>	<u>328,234</u>	<u>315,800</u>	<u>13,974</u>	<u>25,000</u>
Expenditures					
Current:					
General Government	0	0	0	29,827	0
Security of Persons and Property	12,942	138,774	129,404	0	0
Transportation	0	0	0	0	0
Public Health	0	0	0	0	0
Community Environment	0	0	0	0	0
Leisure Time Activities	0	0	0	0	65,386
Debt Service:					
Principal Retirement	0	19,250	35,750	0	0
Interest and Fiscal Charges	0	32,790	60,896	0	0
<i>Total Expenditures</i>	<u>12,942</u>	<u>190,814</u>	<u>226,050</u>	<u>29,827</u>	<u>65,386</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,050)</u>	<u>137,420</u>	<u>89,750</u>	<u>(15,853)</u>	<u>(40,386)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	0	0	0
Bonds Issued	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(1,050)</u>	<u>137,420</u>	<u>89,750</u>	<u>(15,853)</u>	<u>(40,386)</u>
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>14,856</u>	<u>(113,579)</u>	<u>(131,663)</u>	<u>152,357</u>	<u>113,584</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$13,806</u>	<u>\$23,841</u>	<u>(\$41,913)</u>	<u>\$136,504</u>	<u>\$73,198</u>

Cemetery	Law Enforcement	Municipal Court Computer	Legal Research	Municipal Court Security	Municipal Court Probation	Total Nonmajor Special Revenue Funds
\$0	\$0	\$0	\$0	\$0	\$0	\$568,666
0	0	0	0	0	0	2,480,715
0	0	0	0	0	0	476,714
0	0	0	0	0	0	226,328
0	31,343	127,489	39,333	45,221	6,019	275,271
0	0	0	0	0	0	3,233,291
0	0	0	0	0	0	43,141
<u>0</u>	<u>31,343</u>	<u>127,489</u>	<u>39,333</u>	<u>45,221</u>	<u>6,019</u>	<u>7,304,126</u>
0	0	114,866	36,917	69,162	0	250,772
0	109,792	0	0	0	0	2,275,343
0	0	0	0	0	0	3,002,534
60,417	0	0	0	0	0	1,764,654
0	0	0	0	0	0	208,210
0	0	0	0	0	0	65,386
0	0	0	0	0	0	380,331
0	0	0	0	0	0	256,459
<u>60,417</u>	<u>109,792</u>	<u>114,866</u>	<u>36,917</u>	<u>69,162</u>	<u>0</u>	<u>8,203,689</u>
<u>(60,417)</u>	<u>(78,449)</u>	<u>12,623</u>	<u>2,416</u>	<u>(23,941)</u>	<u>6,019</u>	<u>(899,563)</u>
0	0	0	0	0	0	1,249,994
0	0	0	0	0	0	36,420
0	0	0	0	0	0	792,971
0	0	0	0	0	0	(230,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,849,385</u>
<u>(60,417)</u>	<u>(78,449)</u>	<u>12,623</u>	<u>2,416</u>	<u>(23,941)</u>	<u>6,019</u>	<u>949,822</u>
<u>73,276</u>	<u>644,543</u>	<u>373,363</u>	<u>90,573</u>	<u>107,608</u>	<u>0</u>	<u>2,767,933</u>
<u>\$12,859</u>	<u>\$566,094</u>	<u>\$385,986</u>	<u>\$92,989</u>	<u>\$83,667</u>	<u>\$6,019</u>	<u>\$3,717,755</u>

City of Lorain, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	General Sewer	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$359,102	\$413,975	\$151,386	\$924,463
Interfund Receivable	23	0	4,066	4,089
Prepaid Items	0	0	6,850	6,850
<i>Total Assets</i>	<u>\$359,125</u>	<u>\$413,975</u>	<u>\$162,302</u>	<u>\$935,402</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$17,082	\$1,213	\$18,295
Contracts Payable	0	53,722	0	53,722
Interfund Payable	0	3,585	0	3,585
<i>Total Liabilities</i>	<u>0</u>	<u>74,389</u>	<u>1,213</u>	<u>75,602</u>
 Fund Balances				
Reserved for Encumbrances	14,610	110,970	1,067	126,647
Unreserved, Undesignated	344,515	228,616	160,022	733,153
<i>Total Fund Balances</i>	<u>359,125</u>	<u>339,586</u>	<u>161,089</u>	<u>859,800</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$359,125</u>	<u>\$413,975</u>	<u>\$162,302</u>	<u>\$935,402</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, 2005

	General Sewer	Riverfront Urban Renewal	Municipal Court Improvements	Total Nonmajor Capital Projects Funds
Revenues				
Charges for Services	\$408,475	\$0	\$0	\$408,475
Fines and Forfeitures	0	0	66,413	66,413
Interest	0	24,981	578	25,559
Miscellaneous	0	2,215	0	2,215
<i>Total Revenues</i>	408,475	27,196	66,991	502,662
Expenditures				
Capital Outlay	374,173	1,888,366	52,611	2,315,150
<i>Excess of Revenues Over (Under) Expenditures</i>	34,302	(1,861,170)	14,380	(1,812,488)
Other Financing Uses				
Transfers Out	(33,815)	(257,699)	0	(291,514)
<i>Net Change in Fund Balances</i>	487	(2,118,869)	14,380	(2,104,002)
<i>Fund Balances Beginning of Year</i>	358,638	2,458,455	146,709	2,963,802
<i>Fund Balances End of Year</i>	<u>\$359,125</u>	<u>\$339,586</u>	<u>\$161,089</u>	<u>\$859,800</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, 2005

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$45,304	\$816,530	\$861,834
Materials and Supplies Inventory	362,961	0	362,961
Interfund Receivable	180,318	0	180,318
Prepaid Items	112	0	112
	<u>588,695</u>	<u>816,530</u>	<u>1,405,225</u>
<i>Total Current Assets</i>			
<i>Noncurrent Assets</i>			
Depreciable Capital Assets, Net	207,240	0	207,240
	<u>207,240</u>	<u>0</u>	<u>207,240</u>
<i>Total Assets</i>	<u>795,935</u>	<u>816,530</u>	<u>1,612,465</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	29,839	0	29,839
Accrued Wages and Benefits	8,881	288	9,169
Intergovernmental Payable	27,301	990	28,291
Interfund Payable	310,128	0	310,128
Claims Payable	0	339,147	339,147
Compensated Absences Payable	29,415	0	29,415
	<u>405,564</u>	<u>340,425</u>	<u>745,989</u>
<i>Total Current Liabilities</i>	<u>405,564</u>	<u>340,425</u>	<u>745,989</u>
<i>Long-Term Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	98,190	7,323	105,513
Bonds Payable	201,560	0	201,560
	<u>299,750</u>	<u>7,323</u>	<u>307,073</u>
<i>Total Long-Term Liabilities</i>	<u>299,750</u>	<u>7,323</u>	<u>307,073</u>
	<u>705,314</u>	<u>347,748</u>	<u>1,053,062</u>
<i>Total Liabilities</i>	<u>705,314</u>	<u>347,748</u>	<u>1,053,062</u>
Net Assets			
Invested in capital assets, net of related debt	207,240	0	207,240
Unrestricted (Deficit)	(116,619)	468,782	352,163
	<u>\$90,621</u>	<u>\$468,782</u>	<u>\$559,403</u>
<i>Total Net Assets</i>	<u>\$90,621</u>	<u>\$468,782</u>	<u>\$559,403</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, 2005

	<u>Garage</u>	<u>Hospitalization</u>	<u>Totals</u>
Operating Revenues			
Charges for Services	\$1,260,628	\$4,693,428	\$5,954,056
Miscellaneous	0	8,901	8,901
	<u>1,260,628</u>	<u>4,702,329</u>	<u>5,962,957</u>
<i>Total Operating Revenues</i>			
Operating Expenses			
Personal Services	540,209	23,416	563,625
Materials and Supplies	518,954	0	518,954
Contractual Services	3,707	0	3,707
Claims	0	3,947,452	3,947,452
Other Operating Expenses	1,753	210	1,963
Depreciation	2,727	0	2,727
	<u>1,067,350</u>	<u>3,971,078</u>	<u>5,038,428</u>
<i>Total Operating Expenses</i>			
<i>Change in Net Assets</i>	193,278	731,251	924,529
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(102,657)</u>	<u>(262,469)</u>	<u>(365,126)</u>
<i>Net Assets End of Year</i>	<u>\$90,621</u>	<u>\$468,782</u>	<u>\$559,403</u>

City of Lorain, Ohio
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2005

	<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	\$1,177,925	\$4,693,428	\$5,871,353
Cash Payments for Goods and Services	(839,134)	0	(839,134)
Cash Payments for Employee Services and Benefits	(542,448)	(20,494)	(562,942)
Cash Payments for Claims	0	(3,936,271)	(3,936,271)
Other Operating Revenues	0	8,901	8,901
Other Cash Payments	0	(210)	(210)
<i>Net Cash Provided By (Used for) Operating Activities</i>	<u>(203,657)</u>	<u>745,354</u>	<u>541,697</u>
Cash Flows from Noncapital Financing Activities			
Advances In	310,128	0	310,128
Advances Out	(94,707)	0	(94,707)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>215,421</u>	<u>0</u>	<u>215,421</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(199,338)	0	(199,338)
Proceeds of Bonds	201,560	0	201,560
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>2,222</u>	<u>0</u>	<u>2,222</u>
Net Increase in Cash and Cash Equivalents	13,986	745,354	759,340
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>31,318</u>	<u>71,176</u>	<u>102,494</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$45,304</u></u>	<u><u>\$816,530</u></u>	<u><u>\$861,834</u></u>

(continued)

City of Lorain, Ohio
Combining Statement of Cash Flows
Internal Service Funds (continued)
For the Year Ended December 31, 2005

	Garage	Hospitalization	Totals
Reconciliation of Operating Income to			
Net Cash Provided by (Used for) Operating Activities			
Operating Income	\$193,278	\$731,251	\$924,529
<i>Adjustments:</i>			
Depreciation	2,727	0	2,727
<i>(Increase) Decrease in Assets:</i>			
Interfund Receivable	(82,703)	0	(82,703)
Materials and Supplies Inventory	(282,806)	0	(282,806)
Prepaid Items	(112)	0	(112)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	(31,802)	0	(31,802)
Accrued Wages and Benefits	378	0	378
Claims Payable	0	11,181	11,181
Matured Compensated Absences Payable	(1,276)	0	(1,276)
Compensated Absences Payable	(2,562)	2,955	393
Intergovernmental Payable	1,221	(33)	1,188
<i>Total Adjustments</i>	<i>(396,935)</i>	<i>14,103</i>	<i>(382,832)</i>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>(\$203,657)</i>	<i>\$745,354</i>	<i>\$541,697</i>

Fund Descriptions - Agency Funds

Fiduciary Funds

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

Agency Funds

Street Excavation Fund

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

Allotment Improvement Fund

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

Deposits Held Fund

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

Contracts Trust Fund

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

Vital Statistics Fund

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

Flexible Spending Fund

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

County User Fee Fund

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

State Highway Patrol Fund

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

City of Lorain, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2005

	Beginning Balance 12/31/04	Additions	Deductions	Ending Balance 12/31/05
<i>Street Excavation</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$11,760	\$0	\$5,000	\$6,760
Liabilities				
Deposits Held and Due to Others	\$11,760	\$0	\$5,000	\$6,760
<i>Allotment Improvement</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$251,145	\$84,803	\$119,289	\$216,659
Liabilities				
Deposits Held and Due to Others	\$251,145	\$84,803	\$119,289	\$216,659
<i>Deposits Held</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$237,544	\$181,376	\$197,461	\$221,459
Liabilities				
Deposits Held and Due to Others	\$237,544	\$181,376	\$197,461	\$221,459
<i>Contracts Trust</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,452	\$1,435	\$1,267	\$6,620
Liabilities				
Deposits Held and Due to Others	\$6,452	\$1,435	\$1,267	\$6,620
<i>Vital Statistics</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$16,205	\$86,632	\$86,233	\$16,604
Liabilities				
Deposits Held and Due to Others	\$16,205	\$86,632	\$86,233	\$16,604

City of Lorain, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds (continued)
For the Year Ended December 31, 2005

	Beginning Balance 12/31/04	Additions	Deductions	Ending Balance 12/31/05
<i>Flexible Spending</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$25,757	\$100,576	\$90,449	\$35,884
Liabilities				
Deposits Held and Due to Others	\$25,757	\$100,576	\$90,449	\$35,884
<i>County User Fee</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,912	\$38,950	\$38,551	\$3,311
Liabilities				
Deposits Held and Due to Others	\$2,912	\$38,950	\$38,551	\$3,311
<i>State Highway Patrol</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,240	\$14,275	\$11,510	\$7,005
Liabilities				
Deposits Held and Due to Others	\$4,240	\$14,275	\$11,510	\$7,005
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$556,015	\$508,047	\$549,760	\$514,302
Liabilities				
Deposits Held and Due to Others	\$556,015	\$508,047	\$549,760	\$514,302

**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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Taxes	\$2,820,835	\$2,820,835	\$2,838,715	\$17,880
Municipal Income Taxes	16,022,051	16,022,051	16,523,872	501,821
Charges for Services	588,100	588,100	561,800	(26,300)
Licenses and Permits	1,120,300	1,120,300	949,837	(170,463)
Fines and Forfeitures	1,130,000	1,148,320	1,023,053	(125,267)
Intergovernmental	5,111,021	5,111,021	5,169,755	58,734
Interest	40,500	40,500	106,117	65,617
Miscellaneous	94,642	126,642	73,641	(53,001)
<i>Total Revenues</i>	<u>26,927,449</u>	<u>26,977,769</u>	<u>27,246,790</u>	<u>269,021</u>
Expenditures:				
Current:				
General Government				
Civil Service:				
Wages and Benefits	74,705	79,205	81,430	(2,225)
Contractual Services	9,500	7,000	4,076	2,924
Materials and Supplies	225	225	185	40
Other	5,000	5,000	4,635	365
<i>Total Civil Service</i>	<u>89,430</u>	<u>91,430</u>	<u>90,326</u>	<u>1,104</u>
Council:				
Wages and Benefits	269,731	261,981	261,372	609
Contractual Services	16,576	15,841	12,593	3,248
Materials and Supplies	650	650	638	12
Capital Outlay	0	2,050	2,050	0
Other	5,300	8,485	8,208	277
<i>Total Council</i>	<u>292,257</u>	<u>289,007</u>	<u>284,861</u>	<u>4,146</u>
Mayor:				
Wages and Benefits	159,136	180,636	180,225	411
Contractual Services	5,200	5,200	5,169	31
Materials and Supplies	0	4,750	4,719	31
Other	100	0	0	0
<i>Total Mayor</i>	<u>164,436</u>	<u>190,586</u>	<u>190,113</u>	<u>473</u>
Auditor:				
Wages and Benefits	438,047	431,047	430,252	795
Contractual Services	66,259	68,759	68,724	35
Materials and Supplies	28,598	24,479	23,821	658
Other	450	569	518	51
<i>Total Auditor</i>	<u>\$533,354</u>	<u>\$524,854</u>	<u>\$523,315</u>	<u>\$1,539</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Treasurer:				
Wages and Benefits	\$455,717	\$423,717	\$420,869	\$2,848
Contractual Services	11,094	11,094	9,028	2,066
Materials and Supplies	10,875	10,875	10,697	178
Capital Outlay	0	32,337	32,337	0
Other	4,525	4,875	4,468	407
<i>Total Treasurer</i>	<u>482,211</u>	<u>482,898</u>	<u>477,399</u>	<u>5,499</u>
Law Director:				
Wages and Benefits	718,037	715,037	713,574	1,463
Contractual Services	1,331	1,231	1,229	2
Materials and Supplies	19,137	19,237	19,171	66
Capital Outlay	8,000	7,000	6,915	85
Other	3,300	4,300	4,210	90
<i>Total Law Director</i>	<u>749,805</u>	<u>746,805</u>	<u>745,099</u>	<u>1,706</u>
Judges:				
Wages and Benefits	773,396	790,396	789,064	1,332
Contractual Services	19,515	19,515	17,382	2,133
Materials and Supplies	6,731	6,731	5,137	1,594
Capital Outlay	25,000	25,000	25,000	0
Other	14,412	14,412	12,280	2,132
<i>Total Judges</i>	<u>839,054</u>	<u>856,054</u>	<u>848,863</u>	<u>7,191</u>
Clerk of Courts:				
Wages and Benefits	759,353	754,353	739,267	15,086
Contractual Services	18,551	20,374	17,495	2,879
Materials and Supplies	70,485	77,185	71,851	5,334
Other	0	5,500	4,164	1,336
<i>Total Clerk of Courts</i>	<u>848,389</u>	<u>857,412</u>	<u>832,777</u>	<u>24,635</u>
Electrical:				
Wages and Benefits	660,522	488,088	484,586	3,502
Contractual Services	60,740	64,810	91,120	(26,310)
Materials and Supplies	36,338	47,382	37,973	9,409
Capital Outlay	0	10,000	10,000	0
Other	2,300	2,300	1,902	398
<i>Total Electrical</i>	<u>\$759,900</u>	<u>\$612,580</u>	<u>\$625,581</u>	<u>(\$13,001)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Safety/Service:				
Wages and Benefits	\$431,768	\$413,515	\$412,950	\$565
Contractual Services	447,438	453,438	1,252,923	(799,485)
Materials and Supplies	72,896	77,696	74,612	3,084
Capital Outlay	0	2,104,204	2,104,204	0
Other	268,307	268,307	259,195	9,112
<i>Total Safety/Service</i>	<u>1,220,409</u>	<u>3,317,160</u>	<u>4,103,884</u>	<u>(786,724)</u>
Engineering:				
Wages and Benefits	697,945	668,727	668,573	154
Contractual Services	5,921	5,921	4,613	1,308
Materials and Supplies	16,571	16,571	14,372	2,199
Capital Outlay	0	37,000	36,643	357
Other	1,900	1,900	1,535	365
<i>Total Engineering</i>	<u>722,337</u>	<u>730,119</u>	<u>725,736</u>	<u>4,383</u>
Data Processing:				
Wages and Benefits	153,574	152,574	152,548	26
Contractual Services	171,086	168,086	162,801	5,285
Materials and Supplies	22,356	22,356	20,395	1,961
Capital Outlay	35,000	35,000	32,113	2,887
Other	1,300	1,300	1,172	128
<i>Total Data Processing</i>	<u>383,316</u>	<u>379,316</u>	<u>369,029</u>	<u>10,287</u>
<i>Total General Government</i>	<u>7,084,898</u>	<u>9,078,221</u>	<u>9,816,983</u>	<u>(738,762)</u>
Security of Persons and Property				
Police Department:				
Wages and Benefits	6,939,176	7,099,876	8,224,328	(1,124,452)
Contractual Services	250,447	233,217	231,001	2,216
Materials and Supplies	319,324	377,274	377,150	124
<i>Total Police Department</i>	<u>7,508,947</u>	<u>7,710,367</u>	<u>8,832,479</u>	<u>(1,122,112)</u>
Fire Department				
Wages and Benefits	6,140,433	6,280,433	7,206,678	(926,245)
Contractual Services	99,566	109,046	103,184	5,862
Materials and Supplies	152,282	171,282	161,978	9,304
Capital Outlay	0	709,122	709,122	0
Other	12,300	12,300	10,253	2,047
<i>Total Fire Department</i>	<u>6,404,581</u>	<u>7,282,183</u>	<u>8,191,215</u>	<u>(909,032)</u>
<i>Total Security of Persons and Property</i>	<u>\$13,913,528</u>	<u>\$14,992,550</u>	<u>\$17,023,694</u>	<u>(\$2,031,144)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Health Services				
Cemetery:				
Wages and Benefits	\$218,402	\$196,402	\$195,515	\$887
Contractual Services	10,700	11,050	10,801	249
Materials and Supplies	33,393	30,393	28,462	1,931
Capital Outlay	12,500	10,200	0	10,200
<i>Total Cemetery</i>	<u>274,995</u>	<u>248,045</u>	<u>234,778</u>	<u>13,267</u>
Dog Warden:				
Wages and Benefits	57,119	52,446	52,446	0
Materials and Supplies	4,350	3,750	3,481	269
Other	100	0	0	0
<i>Total Dog Warden</i>	<u>61,569</u>	<u>56,196</u>	<u>55,927</u>	<u>269</u>
<i>Total Public Health Services</i>	<u>336,564</u>	<u>304,241</u>	<u>290,705</u>	<u>13,536</u>
Community Environment				
Building Inspection:				
Wages and Benefits	591,825	591,825	588,564	3,261
Contractual Services	8,268	7,513	5,798	1,715
Materials and Supplies	16,135	21,675	20,491	1,184
Capital Outlay	30,000	27,500	26,418	1,082
Other	2,450	5,205	4,959	246
<i>Total Community Environment</i>	<u>648,678</u>	<u>653,718</u>	<u>646,230</u>	<u>7,488</u>
Leisure Time Activities				
Parks Department:				
Wages and Benefits	767,941	756,426	747,805	8,621
Contractual Services	77,100	77,956	77,199	757
Materials and Supplies	123,000	142,500	133,240	9,260
Other	4,425	4,425	3,878	547
<i>Total Leisure Time Activities</i>	<u>972,466</u>	<u>981,307</u>	<u>962,122</u>	<u>19,185</u>
Debt Service:				
Principal Retirement	1,079	1,079	1,079	0
Interest and Fiscal Charges	31	31	31	0
<i>Total Debt Service</i>	<u>1,110</u>	<u>1,110</u>	<u>1,110</u>	<u>0</u>
<i>Total Expenditures</i>	<u>\$22,957,244</u>	<u>\$26,011,147</u>	<u>\$28,740,844</u>	<u>(\$2,729,697)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over (Under) Expenditures</i>	\$3,970,205	\$966,622	(\$1,494,054)	(\$2,460,676)
Other Financing Sources (Uses):				
Bonds Issued	0	2,261,243	2,261,243	0
Advances In	360,025	1,110,025	1,110,024	(1)
Advances Out	(250,000)	(625,000)	(583,924)	41,076
Capital Leases	0	600,000	600,000	0
Transfers In	0	186,782	180,000	(6,782)
Transfers Out	(1,208,875)	(1,611,137)	(1,473,774)	137,363
<i>Total Other Financing Sources (Uses)</i>	(1,098,850)	1,921,913	2,093,569	171,656
<i>Net Change in Fund Balance</i>	2,871,355	2,888,535	599,515	(2,289,020)
<i>Fund Balance (Deficit) Beginning of Year</i>	(2,733,917)	(2,733,917)	(2,733,917)	0
<i>Prior Year Encumbrances Appropriated</i>	54,202	54,202	54,202	0
<i>Fund Balance (Deficit) End of Year</i>	\$191,640	\$208,820	(\$2,080,200)	(\$2,289,020)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental	\$6,947,730	\$8,447,030	\$6,128,645	(\$2,318,385)
Interest	25,070	25,070	39,560	14,490
Miscellaneous	33,800	173,506	167,388	(6,118)
<i>Total Revenues</i>	<u>7,006,600</u>	<u>8,645,606</u>	<u>6,335,593</u>	<u>(2,310,013)</u>
Expenditures:				
Current:				
Economic Development				
Wages and Benefits	1,364,304	1,436,347	1,347,118	89,229
Contractual Services	3,236,854	4,058,537	3,389,709	668,828
Materials and Supplies	50	30	0	30
Capital Outlay	1,817,643	2,258,073	1,243,198	1,014,875
Other	2,225,132	2,842,837	1,133,032	1,709,805
<i>Total Economic Development</i>	<u>8,643,983</u>	<u>10,595,824</u>	<u>7,113,057</u>	<u>3,482,767</u>
Debt Service:				
Principal Retirement	744,137	744,137	440,000	304,137
Interest and Fiscal Charges	747,363	817,919	461,282	356,637
<i>Total Debt Service</i>	<u>1,491,500</u>	<u>1,562,056</u>	<u>901,282</u>	<u>660,774</u>
<i>Total Expenditures</i>	<u>10,135,483</u>	<u>12,157,880</u>	<u>8,014,339</u>	<u>4,143,541</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,128,883)</u>	<u>(3,512,274)</u>	<u>(1,678,746)</u>	<u>1,833,528</u>
Other Financing Sources:				
Notes Issued	0	664,000	664,000	0
Transfers In	377,458	318,567	50,000	(268,567)
<i>Total Other Financing Sources</i>	<u>377,458</u>	<u>982,567</u>	<u>714,000</u>	<u>(268,567)</u>
<i>Net Change in Fund Balance</i>	(2,751,425)	(2,529,707)	(964,746)	1,564,961
<i>Fund Balance Beginning of Year</i>	2,805,396	2,805,396	2,805,396	0
Prior Year Encumbrances Appropriated	765,190	765,190	765,190	0
<i>Fund Balance End of Year</i>	<u>\$819,161</u>	<u>\$1,040,879</u>	<u>\$2,605,840</u>	<u>\$1,564,961</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, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property and Other Taxes	\$968,741	\$968,741	\$1,033,055	\$64,314
Intergovernmental	135,028	135,028	144,359	9,331
Interest	60,000	60,000	90,428	30,428
Miscellaneous	25,930	70,989	93,370	22,381
<i>Total Revenues</i>	<u>1,189,699</u>	<u>1,234,758</u>	<u>1,361,212</u>	<u>126,454</u>
Expenditures:				
Current:				
General Government				
Other	28,200	114,072	64,166	49,906
Debt Service:				
Principal Retirement	5,327,289	10,108,259	10,108,259	0
Interest and Fiscal Charges	1,091,676	1,126,808	1,126,806	2
<i>Total Debt Service</i>	<u>6,418,965</u>	<u>11,235,067</u>	<u>11,235,065</u>	<u>2</u>
<i>Total Expenditures</i>	<u>6,447,165</u>	<u>11,349,139</u>	<u>11,299,231</u>	<u>49,908</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(5,257,466)</u>	<u>(10,114,381)</u>	<u>(9,938,019)</u>	<u>176,362</u>
Other Financing Sources:				
Notes Issued	4,260,000	9,091,000	8,941,000	(150,000)
Transfers In	813,939	846,125	813,491	(32,634)
<i>Total Other Financing Sources</i>	<u>5,073,939</u>	<u>9,937,125</u>	<u>9,754,491</u>	<u>(182,634)</u>
<i>Net Change in Fund Balance</i>	(183,527)	(177,256)	(183,528)	(6,272)
<i>Fund Balance Beginning of Year</i>	<u>183,528</u>	<u>183,528</u>	<u>183,528</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$6,272</u>	<u>\$0</u>	<u>(\$6,272)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$3,888,466	\$3,888,466	\$1,014,975	(\$2,873,491)
Interest	6,500	6,500	100	(6,400)
Miscellaneous	0	0	1,407	1,407
<i>Total Revenues</i>	<u>3,894,966</u>	<u>3,894,966</u>	<u>1,016,482</u>	<u>(2,878,484)</u>
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	4,672,439	4,686,289	1,856,909	2,829,380
Capital Outlay	3,322,912	3,328,434	1,438,552	1,889,882
<i>Total Expenditures</i>	<u>7,995,351</u>	<u>8,014,723</u>	<u>3,295,461</u>	<u>4,719,262</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(4,100,385)</u>	<u>(4,119,757)</u>	<u>(2,278,979)</u>	<u>1,840,778</u>
Other Financing Sources :				
Notes Issued	640,000	640,000	640,000	0
OPWC Loans Issued	6,603	6,603	130,178	123,575
Transfers In	32,624	32,624	83,815	51,191
<i>Total Other Financing Sources</i>	<u>679,227</u>	<u>679,227</u>	<u>853,993</u>	<u>174,766</u>
<i>Net Change in Fund Balance</i>	(3,421,158)	(3,440,530)	(1,424,986)	2,015,544
<i>Fund Balance Beginning of Year</i>	2,213,298	2,213,298	2,213,298	0
Prior Year Encumbrances Appropriated	1,316,887	1,316,887	1,316,887	0
<i>Fund Balance End of Year</i>	<u>\$109,027</u>	<u>\$89,655</u>	<u>\$2,105,199</u>	<u>\$2,015,544</u>

City of Lorain, Ohio
*Schedule of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Non - GAAP Basis)*
Water Works Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$8,444,300	\$8,444,300	\$8,562,707	\$118,407
Bonds Issued	0	73,816	73,816	0
OWDA Loans Issued	0	68,565	22,933	(45,632)
Interest	12,000	12,000	26,260	14,260
Miscellaneous	89,817	89,817	26,974	(62,843)
<i>Total Revenues</i>	<u>8,546,117</u>	<u>8,688,498</u>	<u>8,712,690</u>	<u>24,192</u>
Expenses:				
Personal Services	3,796,885	3,746,683	3,555,326	191,357
Contractual Services	667,643	916,943	865,164	51,779
Materials and Supplies	782,465	864,265	627,634	236,631
Basic Utilities	604,500	633,000	606,184	26,816
Capital Outlay	727,998	1,116,310	841,389	274,921
Other Expense	248,571	251,171	218,490	32,681
Debt Service:				
Principal Retirement	1,002,011	1,002,012	1,002,012	0
Interest and Fiscal Charges	939,047	939,048	939,047	1
<i>Total Expenses</i>	<u>8,769,120</u>	<u>9,469,432</u>	<u>8,655,246</u>	<u>814,186</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(223,003)	(780,934)	57,444	838,378
Advances In	250,000	625,000	250,000	(375,000)
Advances Out	0	(625,000)	(625,000)	0
<i>Excess of Revenues and Advances Over (Under) Expenses</i>	26,997	(780,934)	(317,556)	463,378
<i>Fund Equity Beginning of Year</i>	2,314,288	2,314,288	2,314,288	0
Prior Year Encumbrances Appropriated	253,755	253,755	253,755	0
<i>Fund Equity End of Year</i>	<u>\$2,595,040</u>	<u>\$1,787,109</u>	<u>\$2,250,487</u>	<u>\$463,378</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$9,582,600	\$9,582,600	\$9,252,588	(\$330,012)
Bonds Issued	0	226,961	226,961	0
OWDA Loans Issued	667,150	667,150	502,564	(164,586)
Interest	1,500	1,500	30,429	28,929
Miscellaneous	14,179	14,179	101,685	87,506
<i>Total Revenues</i>	<u>10,265,429</u>	<u>10,492,390</u>	<u>10,114,227</u>	<u>(378,163)</u>
Expenses:				
Personal Services	4,236,216	4,143,216	4,134,734	8,482
Contractual Services	643,741	779,735	681,110	98,625
Materials and Supplies	498,560	522,209	468,138	54,071
Basic Utilities	741,900	741,900	723,290	18,610
Capital Outlay	1,344,492	2,223,229	1,736,201	487,028
Other Operating Expense	338,634	376,030	291,630	84,400
Debt Service:				
Principal Retirement	1,645,998	1,646,152	1,646,151	1
Interest and Fiscal Charges	962,961	963,161	963,132	29
<i>Total Expenses</i>	<u>10,412,502</u>	<u>11,395,632</u>	<u>10,644,386</u>	<u>751,246</u>
<i>Excess of Revenues Under Expenses</i>	(147,073)	(903,242)	(530,159)	373,083
Advances In	0	375,000	0	(375,000)
Advances Out	0	(375,000)	(375,000)	0
<i>Excess of Revenues and Advances Under Expenses</i>	(147,073)	(903,242)	(905,159)	(1,917)
<i>Fund Equity Beginning of Year</i>	3,217,693	3,217,693	3,217,693	0
Prior Year Encumbrances Appropriated	185,550	185,550	185,550	0
<i>Fund Equity End of Year</i>	<u>\$3,256,170</u>	<u>\$2,500,001</u>	<u>\$2,498,084</u>	<u>(\$1,917)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Intergovernmental	\$2,230,500	\$2,230,500	\$2,121,359	(\$109,141)
Expenditures:				
Current:				
Transportation				
Wages and Benefits	1,419,275	1,420,775	1,421,708	(933)
Contractual Services	31,134	34,558	33,966	592
Materials and Supplies	797,637	792,713	769,225	23,488
Capital Outlay	387	1,282,382	1,275,433	6,949
Other	2,500	2,500	1,802	698
<i>Total Transportation</i>	<u>2,250,933</u>	<u>3,532,928</u>	<u>3,502,134</u>	<u>30,794</u>
Debt Service:				
Principal Retirement	189,210	114,210	114,209	1
Interest and Fiscal Charges	26,684	19,684	19,684	0
<i>Total Debt Service</i>	<u>215,894</u>	<u>133,894</u>	<u>133,893</u>	<u>1</u>
<i>Total Expenditures</i>	<u>2,466,827</u>	<u>3,666,822</u>	<u>3,636,027</u>	<u>30,795</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(236,327)</u>	<u>(1,436,322)</u>	<u>(1,514,668)</u>	<u>(78,346)</u>
Other Financing Sources (Uses):				
Capital Leases	0	1,249,995	1,249,994	(1)
Transfers In	206,169	206,169	283,161	76,992
Transfers Out	0	(50,000)	(50,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>206,169</u>	<u>1,406,164</u>	<u>1,483,155</u>	<u>76,991</u>
<i>Net Change in Fund Balance</i>	(30,158)	(30,158)	(31,513)	(1,355)
<i>Fund Balance Beginning of Year</i>	1,355	1,355	1,355	0
Prior Year Encumbrances Appropriated	<u>30,158</u>	<u>30,158</u>	<u>30,158</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,355</u>	<u>\$1,355</u>	<u>\$0</u>	<u>(\$1,355)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$275,000	\$275,000	\$257,200	(\$17,800)
Expenditures:				
Current:				
Transportation				
Contractual Services	155,588	155,588	155,588	0
Materials and Supplies	164,395	164,395	156,591	7,804
<i>Total Expenditures</i>	319,983	319,983	312,179	7,804
<i>Net Change in Fund Balance</i>	(44,983)	(44,983)	(54,979)	(9,996)
<i>Fund Balance Beginning of Year</i>	28,207	28,207	28,207	0
Prior Year Encumbrances Appropriated	31,672	31,672	31,672	0
<i>Fund Balance End of Year</i>	\$14,896	\$14,896	\$4,900	(\$9,996)

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Charges for Services	\$406,500	\$406,500	\$424,973	\$18,473
Licenses and Permits	203,885	235,885	226,328	(9,557)
Intergovernmental	532,467	532,467	503,026	(29,441)
<i>Total Revenues</i>	<u>1,142,852</u>	<u>1,174,852</u>	<u>1,154,327</u>	<u>(20,525)</u>
Expenditures:				
Current:				
Public Health and Welfare				
Wages and Benefits	1,238,331	1,304,531	1,303,069	1,462
Contractual Services	332,516	330,233	302,688	27,545
Materials and Supplies	22,203	29,913	28,590	1,323
Capital Outlay	0	36,420	36,420	0
Other	25,364	39,414	33,992	5,422
<i>Total Expenditures</i>	<u>1,618,414</u>	<u>1,740,511</u>	<u>1,704,759</u>	<u>35,752</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(475,562)</u>	<u>(565,659)</u>	<u>(550,432)</u>	<u>15,227</u>
Other Financing Sources:				
Bonds Issued	0	36,420	36,420	0
Transfers In	475,000	540,460	509,810	(30,650)
<i>Total Other Financing Sources</i>	<u>475,000</u>	<u>576,880</u>	<u>546,230</u>	<u>(30,650)</u>
<i>Net Change in Fund Balance</i>	(562)	11,221	(4,202)	(15,423)
<i>Fund Balance Beginning of Year</i>	2,887	2,887	2,887	0
Prior Year Encumbrances Appropriated	<u>1,315</u>	<u>1,315</u>	<u>1,315</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,640</u>	<u>\$15,423</u>	<u>\$0</u>	<u>(\$15,423)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$212,000	\$212,000	\$211,784	(\$216)
Expenditures:				
Current:				
Community Environment				
Materials and Supplies	50,000	50,000	45,534	4,466
Capital Outlay	162,000	162,000	162,000	0
<i>Total Expenditures</i>	212,000	212,000	207,534	4,466
<i>Net Change in Fund Balance</i>	0	0	4,250	4,250
<i>Fund Balance Beginning of Year</i>	519	519	519	0
<i>Fund Balance End of Year</i>	<u>\$519</u>	<u>\$519</u>	<u>\$4,769</u>	<u>\$4,250</u>

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Police Levy Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Taxes	\$2,254,736	\$2,254,736	\$2,443,879	\$189,143
Charges for Services	0	0	52,824	52,824
Intergovernmental	5,000	5,000	18,448	13,448
Miscellaneous	3,500	21,051	19,914	(1,137)
<i>Total Revenues</i>	<u>2,263,236</u>	<u>2,280,787</u>	<u>2,535,065</u>	<u>254,278</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	1,111,704	1,099,304	1,009,286	90,018
Contractual Services	59,852	57,252	47,992	9,260
Materials and Supplies	184,791	199,791	179,206	20,585
Capital Outlay	605,221	622,772	573,923	48,849
Other	135,944	135,944	125,210	10,734
<i>Total Security of Persons and Property</i>	<u>2,097,512</u>	<u>2,115,063</u>	<u>1,935,617</u>	<u>179,446</u>
Debt Service:				
Principal Retirement	211,122	211,122	211,122	0
Interest and Fiscal Charges	143,090	143,090	143,089	1
<i>Total Debt Service</i>	<u>354,212</u>	<u>354,212</u>	<u>354,211</u>	<u>1</u>
<i>Total Expenditures</i>	<u>2,451,724</u>	<u>2,469,275</u>	<u>2,289,828</u>	<u>179,447</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(188,488)	(188,488)	245,237	433,725
Other Financing Uses:				
Transfers Out	0	(180,000)	(180,000)	0
<i>Net Change in Fund Balance</i>	(188,488)	(368,488)	65,237	433,725
<i>Fund Balance Beginning of Year</i>	823,802	823,802	823,802	0
Prior Year Encumbrances Appropriated	103,959	103,959	103,959	0
<i>Fund Balance End of Year</i>	<u>\$739,273</u>	<u>\$559,273</u>	<u>\$992,998</u>	<u>\$433,725</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$20,000	\$20,000	\$11,892	(\$8,108)
Expenditures:				
Current:				
Security of Persons and Property				
Other	20,000	20,000	12,942	7,058
<i>Net Change in Fund Balance</i>	0	0	(1,050)	(1,050)
<i>Fund Balance Beginning of Year</i>	14,856	14,856	14,856	0
<i>Fund Balance End of Year</i>	<u>\$14,856</u>	<u>\$14,856</u>	<u>\$13,806</u>	<u>(\$1,050)</u>

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Police Pension Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Taxes	\$291,703	\$291,703	\$290,550	(\$1,153)
Intergovernmental	37,508	37,508	37,684	176
Miscellaneous	100	100	0	(100)
<i>Total Revenues</i>	<u>329,311</u>	<u>329,311</u>	<u>328,234</u>	<u>(1,077)</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	127,609	127,408	0	127,408
Other	4,000	4,201	4,200	1
<i>Total Security of Persons and Property</i>	<u>131,609</u>	<u>131,609</u>	<u>4,200</u>	<u>127,409</u>
Debt Service:				
Principal Retirement	19,250	19,250	19,250	0
Interest and Fiscal Charges	32,791	32,791	32,790	1
<i>Total Debt Service</i>	<u>52,041</u>	<u>52,041</u>	<u>52,040</u>	<u>1</u>
<i>Total Expenditures</i>	<u>183,650</u>	<u>183,650</u>	<u>56,240</u>	<u>127,410</u>
<i>Net Change in Fund Balance</i>	145,661	145,661	271,994	126,333
<i>Fund Balance Beginning of Year</i>	<u>378</u>	<u>378</u>	<u>378</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$146,039</u></u>	<u><u>\$146,039</u></u>	<u><u>\$272,372</u></u>	<u><u>\$126,333</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Taxes	\$279,269	\$279,269	\$278,116	(\$1,153)
Intergovernmental	37,508	37,508	37,684	176
<i>Total Revenues</i>	<u>316,777</u>	<u>316,777</u>	<u>315,800</u>	<u>(977)</u>
Expenditures:				
Current:				
Security of Persons and Property				
Wages and Benefits	65,646	65,445	0	65,445
Other	4,000	4,201	4,200	1
<i>Total Security of Persons and Property</i>	<u>69,646</u>	<u>69,646</u>	<u>4,200</u>	<u>65,446</u>
Debt Service:				
Principal Retirement	35,750	35,750	35,750	0
Interest and Fiscal Charges	60,897	60,897	60,896	1
<i>Total Debt Service</i>	<u>96,647</u>	<u>96,647</u>	<u>96,646</u>	<u>1</u>
<i>Total Expenditures</i>	<u>166,293</u>	<u>166,293</u>	<u>100,846</u>	<u>65,447</u>
<i>Net Change in Fund Balance</i>	150,484	150,484	214,954	64,470
<i>Fund Balance Beginning of Year</i>	<u>6,504</u>	<u>6,504</u>	<u>6,504</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$156,988</u></u>	<u><u>\$156,988</u></u>	<u><u>\$221,458</u></u>	<u><u>\$64,470</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$15,000	\$15,000	\$18,742	\$3,742
Expenditures:				
Current:				
General Government				
Contractual Services	10,000	110,000	29,827	80,173
<i>Net Change in Fund Balance</i>	5,000	(95,000)	(11,085)	83,915
<i>Fund Balance Beginning of Year</i>	147,330	147,330	147,330	0
<i>Fund Balance End of Year</i>	<u>\$152,330</u>	<u>\$52,330</u>	<u>\$136,245</u>	<u>\$83,915</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$10,000	\$10,000	\$25,000	\$15,000
Expenditures:				
Current:				
Leisure Time Activities				
Capital Outlay	0	65,500	65,386	114
<i>Net Change in Fund Balance</i>	10,000	(55,500)	(40,386)	15,114
<i>Fund Balance Beginning of Year</i>	113,584	113,584	113,584	0
<i>Fund Balance End of Year</i>	<u>\$123,584</u>	<u>\$58,084</u>	<u>\$73,198</u>	<u>\$15,114</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Total Revenues</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures:				
Current:				
Public Health and Welfare				
Contractual Services	0	17,400	17,169	231
Capital Outlay	<u>0</u>	<u>43,400</u>	<u>43,248</u>	<u>152</u>
<i>Total Expenditures</i>	<u>0</u>	<u>60,800</u>	<u>60,417</u>	<u>383</u>
<i>Net Change in Fund Balance</i>	0	(60,800)	(60,417)	383
<i>Fund Balance Beginning of Year</i>	<u>73,276</u>	<u>73,276</u>	<u>73,276</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$73,276</u></u>	<u><u>\$12,476</u></u>	<u><u>\$12,859</u></u>	<u><u>\$383</u></u>

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$75,000	\$75,000	\$31,343	(\$43,657)
Interest	250	250	0	(250)
<i>Total Revenues</i>	75,250	75,250	31,343	(43,907)
Expenditures:				
Current:				
Security of Persons and Property				
Other	250,000	250,000	109,792	140,208
<i>Net Change in Fund Balance</i>	(174,750)	(174,750)	(78,449)	96,301
<i>Fund Balance Beginning of Year</i>	644,543	644,543	644,543	0
<i>Fund Balance End of Year</i>	\$469,793	\$469,793	\$566,094	\$96,301

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$140,500	\$140,500	\$126,994	(\$13,506)
Expenditures:				
Current:				
General Government				
Wages and Benefits	58,563	61,063	60,776	287
Contractual Services	0	10,000	10,000	0
Materials and Supplies	3,500	3,500	3,156	344
Capital Outlay	68,887	66,387	42,377	24,010
Other	8,000	8,000	2,268	5,732
<i>Total Expenditures</i>	<u>138,950</u>	<u>148,950</u>	<u>118,577</u>	<u>30,373</u>
<i>Net Change in Fund Balance</i>	1,550	(8,450)	8,417	16,867
<i>Fund Balance Beginning of Year</i>	360,985	360,985	360,985	0
Prior Year Encumbrances Appropriated	<u>8,887</u>	<u>8,887</u>	<u>8,887</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$371,422</u></u>	<u><u>\$361,422</u></u>	<u><u>\$378,289</u></u>	<u><u>\$16,867</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and Forfeitures	\$40,000	\$40,000	\$39,192	(\$808)
Expenditures:				
Current:				
General Government				
Wages and Benefits	48,775	42,561	26,129	16,432
Capital Outlay	2,474	42,572	40,453	2,119
<i>Total Expenditures</i>	<u>51,249</u>	<u>85,133</u>	<u>66,582</u>	<u>18,551</u>
<i>Net Change in Fund Balance</i>	(11,249)	(45,133)	(27,390)	17,743
<i>Fund Balance Beginning of Year</i>	88,334	88,334	88,334	0
Prior Year Encumbrances Appropriated	<u>2,474</u>	<u>2,474</u>	<u>2,474</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$79,559</u></u>	<u><u>\$45,675</u></u>	<u><u>\$63,418</u></u>	<u><u>\$17,743</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$50,000	\$50,000	\$45,116	(\$4,884)
Expenditures:				
Current:				
General Government				
Wages and Benefits	73,004	73,004	69,439	3,565
<i>Net Change in Fund Balance</i>	(23,004)	(23,004)	(24,323)	(1,319)
<i>Fund Balance Beginning of Year</i>	106,708	106,708	106,708	0
<i>Fund Balance End of Year</i>	\$83,704	\$83,704	\$82,385	(\$1,319)

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Municipal Court Probation Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$0	\$0	\$3,844	\$3,844
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	3,844	3,844
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$3,844</u></u>	<u><u>\$3,844</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$175,000	\$175,000	\$73,280	(\$101,720)
Expenditures:				
Current:				
General Government				
Other	10,300	10,300	3,900	6,400
Debt Service:				
Principal Retirement	97,704	97,704	97,704	0
Interest and Fiscal Charges	46,687	46,687	46,687	0
<i>Total Debt Service</i>	144,391	144,391	144,391	0
<i>Total Expenditures</i>	154,691	154,691	148,291	6,400
<i>Excess of Revenues Over (Under) Expenditures</i>	20,309	20,309	(75,011)	(95,320)
Other Financing Sources:				
Transfers In	0	0	75,011	75,011
<i>Net Change in Fund Balance</i>	20,309	20,309	0	(20,309)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$20,309</u>	<u>\$20,309</u>	<u>\$0</u>	<u>(\$20,309)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$405,000	\$405,000	\$408,523	\$3,523
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	575,499	625,499	389,281	236,218
<i>Excess of Revenues Over (Under) Expenditures</i>	(170,499)	(220,499)	19,242	239,741
Other Financing Uses:				
Transfers Out	(33,815)	(33,815)	(33,815)	0
<i>Net Change in Fund Balance</i>	(204,314)	(254,314)	(14,573)	239,741
<i>Fund Balance Beginning of Year</i>	358,566	358,566	358,566	0
Prior Year Encumbrances Appropriated	499	499	499	0
<i>Fund Balance End of Year</i>	<u>\$154,751</u>	<u>\$104,751</u>	<u>\$344,492</u>	<u>\$239,741</u>

City of Lorain, Ohio
*Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non - GAAP Basis)*
Riverfront Urban Renewal Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$25,000	\$25,000	\$28,431	\$3,431
Miscellaneous	500	500	2,215	1,715
<i>Total Revenues</i>	25,500	25,500	30,646	5,146
Expenditures:				
Current:				
Capital Outlay				
Contractual Services	2,393,302	2,185,603	1,931,156	254,447
<i>Excess of Revenues Under Expenditures</i>	(2,367,802)	(2,160,103)	(1,900,510)	259,593
Other Financing Uses:				
Transfers Out	(50,000)	(257,699)	(257,699)	0
<i>Net Change in Fund Balance</i>	(2,417,802)	(2,417,802)	(2,158,209)	259,593
<i>Fund Balance Beginning of Year</i>	2,263,393	2,263,393	2,263,393	0
Prior Year Encumbrances Appropriated	194,940	194,940	194,940	0
<i>Fund Balance End of Year</i>	<u>\$40,531</u>	<u>\$40,531</u>	<u>\$300,124</u>	<u>\$259,593</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and Forfeitures	\$73,100	\$73,100	\$66,130	(\$6,970)
Interest	500	500	578	78
<i>Total Revenues</i>	<u>73,600</u>	<u>73,600</u>	<u>66,708</u>	<u>(6,892)</u>
Expenditures:				
Current:				
Capital Outlay				
Wages and Benefits	0	692	691	1
Contractual Services	6,430	6,430	6,247	183
Capital Outlay	146,808	146,116	62,577	83,539
<i>Total Expenditures</i>	<u>153,238</u>	<u>153,238</u>	<u>69,515</u>	<u>83,723</u>
<i>Net Change in Fund Balance</i>	(79,638)	(79,638)	(2,807)	76,831
<i>Fund Balance Beginning of Year</i>	140,175	140,175	140,175	0
Prior Year Encumbrances Appropriated	<u>11,738</u>	<u>11,738</u>	<u>11,738</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$72,275</u></u>	<u><u>\$72,275</u></u>	<u><u>\$149,106</u></u>	<u><u>\$76,831</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$1,375,000	\$1,580,000	\$1,177,925	(\$402,075)
Bonds Issued	0	201,560	201,560	0
<i>Total Revenues</i>	<u>1,375,000</u>	<u>1,781,560</u>	<u>1,379,485</u>	<u>(402,075)</u>
Expenses:				
Wages and Benefits	582,693	582,093	543,387	38,706
Contractual Services	1,500	3,647	3,520	127
Materials and Supplies	692,447	897,447	875,643	21,804
Capital Outlay	0	200,013	200,013	0
Other	2,100	2,100	1,753	347
<i>Total Expenses</i>	<u>1,278,740</u>	<u>1,685,300</u>	<u>1,624,316</u>	<u>60,984</u>
<i>Excess of Revenues Over (Under) Expenses</i>	96,260	96,260	(244,831)	(341,091)
Advances In	0	0	310,128	310,128
Advances Out	(94,707)	(94,707)	(94,707)	0
<i>Excess of Revenues and Advances Over (Under) Expenses</i>	1,553	1,553	(29,410)	(30,963)
<i>Fund Equity Beginning of Year</i>	3,229	3,229	3,229	0
Prior Year Encumbrances Appropriated	26,181	26,181	26,181	0
<i>Fund Equity End of Year</i>	<u>\$30,963</u>	<u>\$30,963</u>	<u>\$0</u>	<u>(\$30,963)</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$4,743,200	\$4,743,200	\$4,693,428	(\$49,772)
Interest	750	750	0	(750)
Miscellaneous	10,000	10,000	8,901	(1,099)
<i>Total Revenues</i>	<u>4,753,950</u>	<u>4,753,950</u>	<u>4,702,329</u>	<u>(51,621)</u>
Expenses:				
Wages and Benefits	21,072	21,072	20,470	602
Claims	4,662,400	4,662,400	4,075,789	586,611
Other	2,000	2,000	210	1,790
<i>Total Expenses</i>	<u>4,685,472</u>	<u>4,685,472</u>	<u>4,096,469</u>	<u>589,003</u>
Net Change in Fund Balance	68,478	68,478	605,860	537,382
<i>Fund Equity Beginning of Year</i>	<u>71,111</u>	<u>71,111</u>	<u>71,111</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$139,589</u></u>	<u><u>\$139,589</u></u>	<u><u>\$676,971</u></u>	<u><u>\$537,382</u></u>

Statistical Section

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

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Financial Trends These schedules contain trend information to help the reader understand how the county's financial performance and well-being have changed over time.	S2-S9
Revenue Capacity These schedules contain information to help the reader assess the county's most significant local revenue source, the property tax, and the municipal income tax.	S10-S17
Debt Capacity These schedules present information to help the reader assess the affordability of the county's current levels of outstanding debt and the county's ability to issue additional debt in the future.	S18-S22
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the county's financial activities take place.	S23-S25
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the county's financial report relates to the services the county provides and the activities it performs.	S26-S33

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Lorain
Net Assets by Components
Last Three Years
(accrual basis of accounting)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$124,391,028	\$138,745,022	\$146,982,168
Restricted for:			
Capital Projects	1,414,714	4,745,648	10,820,008
Debt Service	468,373	713,569	603,071
Community Development	25,355,904	26,814,060	21,419,946
Police Levy	1,307,190	1,092,777	736,023
Law Enforcement	566,094	644,543	682,726
Capital Leases	1,117,874	0	0
Other Purposes	1,814,974	1,531,493	1,647,206
Unrestricted (Deficit)	<u>(3,124,749)</u>	<u>(5,195,260)</u>	<u>(5,227,274)</u>
<i>Total Governmental Activities Net Assets</i>	<u>153,311,402</u>	<u>169,091,852</u>	<u>177,663,874</u>
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	37,679,295	36,496,435	35,322,403
Restricted for:			
Debt Service	2,572,039	2,485,022	2,454,458
Replacement and Improvement	300,000	300,000	300,000
Utility Reserve	1,305,744	1,468,618	1,364,750
Unrestricted (Deficit)	<u>3,742,237</u>	<u>2,453,020</u>	<u>2,856,795</u>
<i>Total Business-Type Activities Net Assets</i>	<u>45,599,315</u>	<u>43,203,095</u>	<u>42,298,406</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	162,070,323	175,241,457	185,384,573
Restricted for:			
Capital Projects	1,414,714	4,745,648	10,820,008
Debt Service	3,040,412	3,198,591	3,057,529
Community Development	25,355,904	26,814,060	21,419,946
Police Levy	1,307,190	1,092,777	736,023
Law Enforcement	566,094	644,543	682,726
Replacement and Improvement	300,000	300,000	300,000
Utility Reserve	1,305,744	1,468,618	1,364,750
Capital Leases	1,117,874	0	0
Other Purposes	1,814,974	1,531,493	1,647,206
Unrestricted (Deficit)	<u>617,488</u>	<u>(2,742,240)</u>	<u>(5,450,481)</u>
<i>Total Primary Government Net Assets</i>	<u>\$198,910,717</u>	<u>\$212,294,947</u>	<u>\$219,962,280</u>

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

Program Revenues	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities:			
Charges for Services:			
General Government	\$2,161,128	\$2,707,135	\$864,905
Security of Persons and Property	385,001	383,545	1,730,009
Public Health Services	808,413	760,541	972,093
Community Environment	730,199	784,024	48,534
Leisure Time Activities	27,048	27,514	105,093
Operating Grants and Contributions			
General Government	1,653,546	1,542,759	1,425,742
Security of Persons and Property	2,841,996	3,378,319	3,213,372
Transportation	2,516,671	2,352,792	2,106,496
Public Health Services	542,338	507,095	531,370
Community Environment	339,834	257,831	266,065
Economic Development	2,908,573	6,195,473	3,736,482
Leisure Time Activities	164,740	199,225	229,667
Capital Grants and Contributions			
Transportation	935,158	1,717,034	4,035,632
Economic Development	0	0	500,000
 <i>Total Governmental Activities Program Revenues</i>	 <u>16,014,645</u>	 <u>20,813,287</u>	 <u>19,765,460</u>
 Business-Type Activities:			
Charges for Services:			
Water Works	8,528,739	8,306,689	8,211,209
Water Pollution Control	9,221,532	8,287,136	7,708,227
 <i>Total Business-Type Activities Program Revenues</i>	 <u>17,750,271</u>	 <u>16,593,825</u>	 <u>15,919,436</u>
 <i>Total Primary Government Program Revenues</i>	 <u>\$33,764,916</u>	 <u>\$37,407,112</u>	 <u>\$35,684,896</u>

(continued)

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

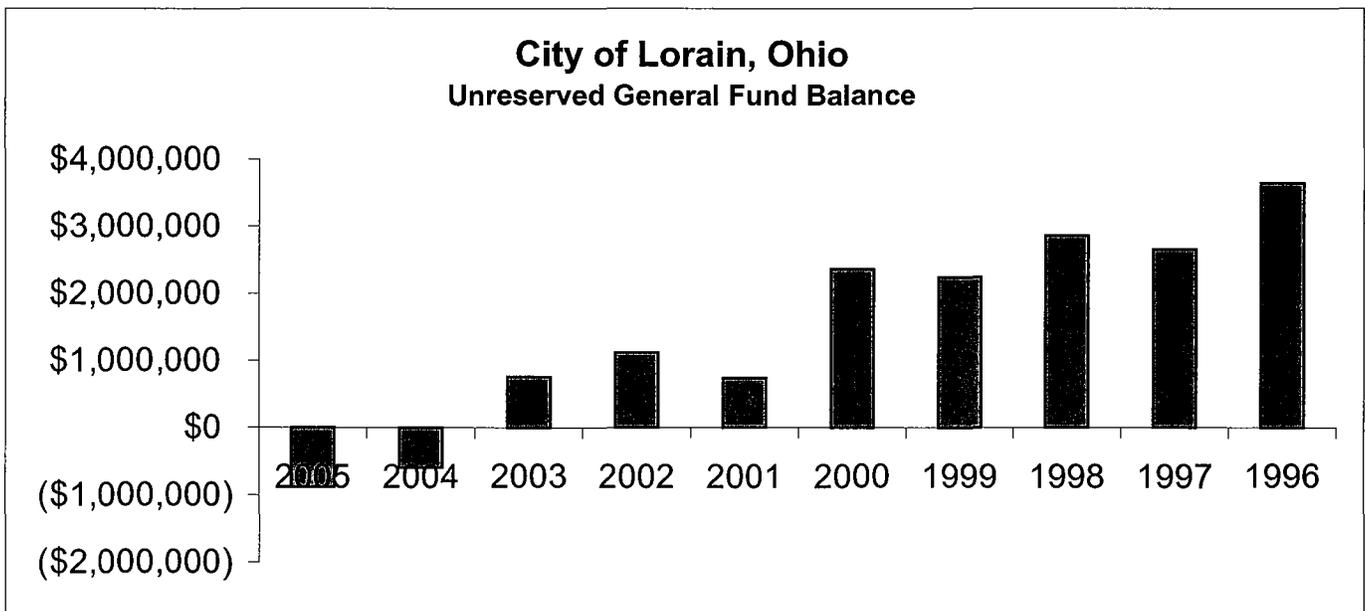
Program Expenses	2005	2004	2003
Governmental Activities:			
General Government	\$13,003,383	\$11,596,965	\$18,594,382
Security of Persons and Property	19,197,977	17,624,224	20,151,907
Transportation	14,881,296	15,196,365	6,704,576
Public Health Services	2,030,073	1,799,704	1,985,041
Community Environment	964,323	671,404	770,420
Economic Development	3,736,841	2,538,197	825,936
Leisure Time Activities	1,266,922	1,139,638	1,311,140
Intergovernmental	0	0	18,420
Interest and Fiscal Charges	1,893,394	1,831,945	1,817,193
<i>Total Governmental Activities Expenses</i>	56,974,209	52,398,442	52,179,015
Business-Type Activities:			
Water Works	7,161,733	7,019,598	7,701,592
Water Pollution Control	8,294,509	8,740,898	9,694,280
<i>Total Business-Type Activities Expenses</i>	15,456,242	15,760,496	17,395,872
<i>Total Primary Government Expenses</i>	72,430,451	68,158,938	69,574,887
Net (Expense)/Revenue			
Governmental Activities	(40,959,564)	(31,585,155)	(32,413,555)
Business-Type Activities	2,294,029	833,329	(1,476,436)
<i>Total Primary Government Net Expense</i>	(\$38,665,535)	(\$30,751,826)	(\$33,889,991)
 General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes:			
Property and Other Local Taxes Levied For:			
General Purposes	\$2,858,521	\$2,832,304	\$2,831,646
Police Pension	291,931	260,833	239,884
Fire Pension	279,497	260,833	239,884
Debt Service	1,040,661	953,948	812,483
Municipal Income Taxes Levied For:			
General Purposes	17,087,103	15,163,796	14,211,737
Police Levy	2,484,300	2,488,604	2,346,822
Grants and Entitlements not Restricted to Specific Programs			
Investment Earnings	495,542	487,998	434,976
Miscellaneous	274,833	217,102	162,478
Miscellaneous	366,726	347,717	814,192
<i>Total Governmental Activities</i>	\$25,179,114	\$23,013,135	\$22,094,102

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Business-Type Activities:			
Investment Earnings	\$56,689	\$9,621	\$88,836
Miscellaneous	45,502	61,739	58,743
	<u>102,191</u>	<u>71,360</u>	<u>147,579</u>
<i>Total Business-Type Activities</i>			
	<u>102,191</u>	<u>71,360</u>	<u>147,579</u>
<i>Total Primary Government</i>	<u>25,281,305</u>	<u>23,084,495</u>	<u>22,241,681</u>
Change in Net Assets			
Governmental Activities	(15,780,450)	(8,572,020)	(10,319,453)
Business-Type Activities	2,396,220	904,689	(1,328,857)
	<u>(13,384,230)</u>	<u>(7,667,331)</u>	<u>(11,648,310)</u>
<i>Total Primary Government Change in Net Assets</i>	<u><u>(\$13,384,230)</u></u>	<u><u>(\$7,667,331)</u></u>	<u><u>(\$11,648,310)</u></u>

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

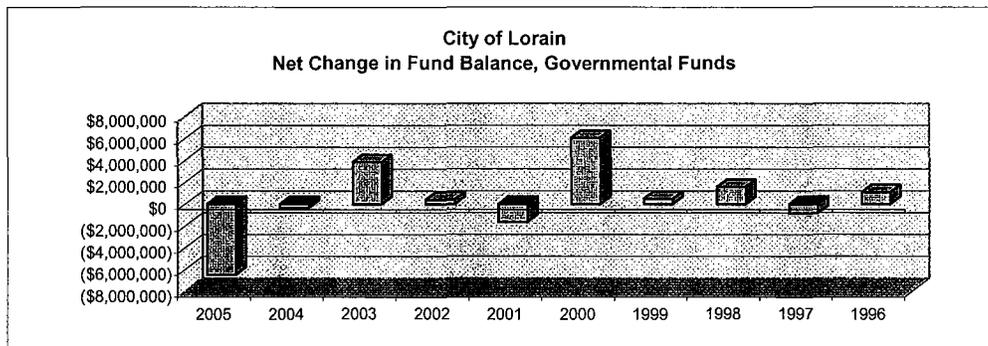
	2005	2004	2003	2002	2001
General Fund					
Reserved	\$1,259,816	\$80,690	\$102,553	\$187,373	\$133,037
Unreserved	(884,514)	(591,250)	755,453	1,119,128	739,265
Total General Fund	375,302	(510,560)	858,006	1,306,501	872,302
All Other Governmental Funds					
Reserved	21,566,305	21,184,019	18,108,163	15,316,367	15,974,081
Undesignated, Reported in:					
Special Revenue funds	4,454,830	5,247,036	4,579,451	3,743,390	5,777,305
Debt Service funds	(4,879,317)	213,668	124,402	35,518	232,339
Capital Projects funds	2,802,085	4,631,159	8,948,048	3,997,704	1,382,465
Total All Other Governmental Funds	23,943,903	31,275,882	31,760,064	23,092,979	23,366,190
Total Governmental Funds	\$24,319,205	\$30,765,322	\$32,618,070	\$24,399,480	\$24,238,492



<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
\$174,508	\$259,561	\$210,875	\$362,136	\$749,508
<u>2,357,939</u>	<u>2,238,766</u>	<u>2,858,026</u>	<u>2,652,967</u>	<u>3,646,799</u>
<u>2,532,447</u>	<u>2,498,327</u>	<u>3,068,901</u>	<u>3,015,103</u>	<u>4,396,307</u>
11,865,033	10,677,105	8,857,769	11,053,552	8,546,304
4,936,504	3,747,239	4,771,392	2,735,959	4,349,647
726,354	187,972	664,995	911,833	1,275,858
<u>5,018,534</u>	<u>1,772,957</u>	<u>1,209,860</u>	<u>(875,108)</u>	<u>(905,460)</u>
<u>22,546,425</u>	<u>16,385,273</u>	<u>15,504,016</u>	<u>13,826,236</u>	<u>13,266,349</u>
<u>\$25,078,872</u>	<u>\$18,883,600</u>	<u>\$18,572,917</u>	<u>\$16,841,339</u>	<u>\$17,662,656</u>

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

	2005	2004	2003	2002	2001
Revenues					
Property and Other Taxes	\$4,440,436	\$4,283,640	\$3,908,597	3,394,317	\$3,492,363
Municipal Income Taxes	19,546,306	17,680,283	16,553,650	16,510,556	16784765
Charges for Services	1,419,251	1,343,239	1,247,753	1,119,774	956437
Licenses and Permits <i>(includes fines 2002 and prior)</i>	1,098,063	1,167,853	785,860	3,123,925	2378314
Fines and Forfeitures	1,438,755	1,619,879	1,658,464	0	0
Intergovernmental	13,260,054	16,814,124	12,104,895	12,079,479	19313513
Special Assessments	73,280	122,704	174,799	324,659	158630
Interest	274,833	217,102	162,478	201,577	395523
Miscellaneous	359,769	338,478	814,192	956,052	771020
Total Revenues	41,910,747	43,587,302	37,410,688	37,710,339	44,250,565
Expenditures					
Current:					
General Government	10,178,686	7,472,394	6,772,792	6,812,397	6,675,722
Security of Persons and Property	18,735,767	18,334,999	16,750,969	17,422,517	18,345,606
Transportation	3,002,534	2,261,567	2,578,166	1,902,093	2,552,311
Public Health	2,058,113	1,872,129	1,711,340	1,590,199	1,723,442
Community Environment	869,283	715,893	653,685	612,126	719,872
Economic Development	3,606,065	2,606,100	24,835	6,887,067	5,171,564
Leisure Time Activities	1,037,882	1,009,957	1,090,889	934,524	1,562,013
Intergovernmental	0	0	18,420	0	0
Capital Outlay	4,918,114	8,707,726	5,376,919	9,240,850	6,323,085
Debt Service:					
Principal Retirement	11,027,373	5,672,618	8,105,592	3,037,428	3,172,538
Interest and Fiscal Charges	1,950,882	1,753,457	1,811,630	1,531,863	1,320,476
Bond Issuance Costs	0	0	475,530	0	0
Total Expenditures	57,384,699	50,406,840	45,370,767	49,971,064	47,566,629
Excess of Revenues Over (Under) Expenditures	(15,473,952)	(6,819,538)	(7,960,079)	(12,260,725)	(3,316,064)
Other Financing Sources (Uses)					
Inception of Capital Lease	1,849,994	0	0	182,910	125,096
Sale of Capital Assets	0	0	0	0	558
Payment to Police and Fire Pension	0	0	0	0	0
Bonds Issued	2,297,663	0	6,245,000	8,905,000	0
Notes Issued	4,750,000	4,150,000	4,945,000	1,320,000	1,550,000
Loans Received	130,178	2,352,536	603,346	2,247,999	0
Premium on Debt Issuance	0	0	18,947	18,586	0
Transfers In	1,995,288	1,853,219	2,719,525	2,557,146	2,270,090
Transfers Out	(1,995,288)	(1,853,219)	(2,719,525)	(2,557,146)	(2,270,090)
Total Other Financing Sources (Uses)	9,027,835	6,502,536	11,812,293	12,674,495	1,675,654
Net Change in Fund Balances	(\$6,446,117)	(\$317,002)	\$3,852,214	\$413,770	(\$1,640,410)
Debt Service as a Percentage of Noncapital Expenditures	32.9%	21.7%	33.0%	12.6%	12.2%



2000	1999	1998	1997	1996
3,955,169	3,593,074	3,454,984	3,177,523	3,359,398
17,811,594	16,365,072	16,856,715	17,073,554	18,420,185
938,448	439,434	430,802	351,342	385,589
2,296,516	2,061,198	2,725,477	2,056,536	1,908,494
0	0	0	0	0
13,664,775	14,795,431	12,769,960	11,388,615	9,091,196
179,267	215,025	322,014	429,841	471,149
490,884	321,895	426,823	444,923	344,016
174,536	891,588	515,976	513,513	459,089
<u>39,511,189</u>	<u>38,682,717</u>	<u>37,502,751</u>	<u>35,435,847</u>	<u>34,439,116</u>
7,007,186	6,569,957	6,546,059	6,947,463	6,303,235
17,944,155	17,237,827	15,760,123	15,322,993	14,356,607
3,647,614	2,665,990	2,557,555	2,826,661	2,492,447
1,780,974	1,723,641	1,594,986	1,832,377	1,567,052
685,051	710,623	704,649	770,878	593,131
4,628,864	3,356,598	5,021,472	3,445,537	2,118,978
1,483,343	1,493,082	1,407,498	1,567,121	1,528,519
0	0	0	0	0
1,677,727	2,938,879	2,434,120	2,849,449	1,918,307
2,842,366	2,121,041	5,179,490	1,492,374	1,505,425
1,393,106	936,514	1,113,092	1,038,540	1,140,435
0	90,519	0	0	0
<u>43,090,386</u>	<u>39,844,671</u>	<u>42,319,044</u>	<u>38,093,393</u>	<u>33,524,136</u>
<u>(3,579,197)</u>	<u>(1,161,954)</u>	<u>(4,816,293)</u>	<u>(2,657,546)</u>	<u>914,980</u>
765,827	0	7,637.0	0	172,508.0
1,100	1,183	0	0	0
0	(1,925,317)	0	0	0
4,814,703	2,045,297	3,680,000.0	0	0
1,550,000	1,550,000	2,696,265.0	1,842,525.0	0
2,500,000	0	0	0	0
0	0	0	0	0
2,641,825	1,955,445	2,064,033.0	2,887,846.0	2,322,868.0
<u>(2,641,825)</u>	<u>(1,985,271)</u>	<u>(2,064,033)</u>	<u>(2,904,576)</u>	<u>(2,322,868)</u>
<u>9,631,630</u>	<u>1,641,337</u>	<u>6,383,902</u>	<u>1,825,795</u>	<u>172,508</u>
<u>\$6,052,433</u>	<u>\$479,383</u>	<u>\$1,567,609</u>	<u>(\$831,751)</u>	<u>\$1,087,488</u>
11.4%	9.0%	18.7%	7.7%	9.1%

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

Collection Year	Real Property			Tangible Personal Property	
	Residential/ Agricultural	Commercial Industrial/PU	Estimated True Value	Assessed Value	Estimated True Value
2005	\$650,032,220	\$162,381,030	\$2,321,180,714	\$74,269,390	\$84,397,034
2004	638,438,820	166,955,950	2,301,127,914	77,299,320	87,840,136
2003	627,918,840	162,388,030	2,258,019,629	79,467,680	90,304,182
2002	567,733,170	154,998,600	2,064,947,914	83,021,680	94,342,818
2001	557,481,320	156,616,820	2,040,280,400	41,909,630	47,624,580
2000	553,650,080	162,513,030	2,046,180,314	64,043,280	72,776,455
1999	454,088,000	153,275,320	1,735,323,771	67,935,340	77,199,250
1998	447,544,430	158,036,250	1,730,230,514	69,159,330	78,590,148
1997	445,236,550	148,793,820	1,697,229,629	71,039,610	80,726,830
1996	382,555,990	143,266,040	1,502,348,657	69,939,910	79,477,170

Source: Lorain County Auditor

Property is assessed every year. The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property is assessed at 25 percent for everything except inventories, which are assessed at 23 percent.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, 2 1/2% and homestead exemptions before being billed.

Source: Lorain County, Ohio; County Auditor

Tangible Personal Property

General Business		Total				
Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Ratio	Weighted Average	Tax Rate
\$94,023,132	\$408,796,226	\$980,705,772	\$2,814,373,974	34.85%	\$3.37	\$4.96
96,508,986	419,604,287	979,203,076	2,808,572,338	34.86	3.30	4.96
99,372,980	432,056,435	969,147,530	2,780,380,245	34.86	3.22	4.96
155,635,990	676,678,217	961,389,440	2,835,968,950	33.90	3.22	4.96
161,585,020	702,543,565	917,592,790	2,790,448,545	32.88	3.22	4.96
145,004,768	630,455,513	925,211,158	2,749,412,282	33.65	2.70	4.96
152,994,550	665,193,696	828,293,210	2,477,716,717	33.43	2.70	4.96
147,824,554	642,715,452	822,564,564	2,451,536,114	33.55	2.70	4.96
158,608,994	689,604,322	823,678,974	2,467,560,780	33.38	2.70	4.96
152,707,410	663,945,261	748,469,350	2,245,771,088	33.33	3.17	4.96

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

City of Lorain-Direct and Overlapping Rates

<u>Year</u>	<u>General Government</u>	<u>Special Revenue</u>	<u>General Obligation Debt Service</u>	<u>Total Direct</u>	<u>Lorain County</u>	<u>Special Taxing Districts</u>	<u>Total City and Overlapping Governments</u>
2005	\$3.36	\$0.60	\$1.00	\$4.96	\$13.49	\$62.10	\$80.55
2004	3.36	0.60	1.00	4.96	13.19	62.10	80.25
2003	3.36	0.60	1.00	4.96	12.89	62.45	80.30
2002	3.36	0.60	1.00	4.96	12.89	62.45	80.30
2001	3.36	0.60	1.00	4.96	10.79	58.98	74.73
2000	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1998	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1998	3.36	0.60	1.00	4.96	10.79	58.98	74.73
1997	3.36	0.60	1.00	4.96	12.69	58.98	76.63
1996	3.36	0.60	1.00	4.96	12.69	58.49	76.14

Source: Lorain County Auditor

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

<u>Year</u>	<u>Current Tax Levy (1)</u>	<u>Current Tax Collections (1)</u>	<u>Percent Collected</u>	<u>Delinquent Tax Collections</u>
2005	\$3,996,835	\$3,805,202	95.2%	\$140,840
2004	3,956,482	3,773,999	95.4	124,093
2003	3,665,134	3,483,359	95.0	132,140
2002	3,458,430	3,232,113	93.5	102,721
2001	3,569,077	3,345,912	93.7	116,101
2000	3,066,578	2,922,999	95.3	115,157
1999	3,183,610	2,910,261	91.4	107,157
1998	3,057,957	2,945,399	96.3	102,854
1997	2,731,861	2,644,441	96.8	80,588
1996	2,733,704	2,649,883	96.9	78,927

(continued)

Source: Lorain County Auditor

- (1). State Reimbursement of Rollback and Homestead Exemptions are included.
- (2). Penalties and interest are included, since by Ohio Law they become part of the tax obligation as assessment occurs.
- (3). Delinquent collections are not identified by year.

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

<u>Year</u>	<u>Total Tax Collections</u>	<u>Percent of Total Collections To Current Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes (2)</u>	<u>Percent of Delinquent Taxes To Current Tax Levy</u>
2005	\$3,946,042	98.7%	\$333,010	8.3%
2004	3,898,092	98.5	302,980	7.7
2003	3,615,499	98.6	300,673	8.2
2002	3,334,835	96.4	247,367	7.2
2001	3,462,013	97.0	251,934	7.1
2000	3,038,157	99.1	246,327	8.0
1999	3,017,418	94.8	352,399	11.1
1998	3,048,253	99.7	185,575	6.1
1997	2,725,029	99.7	149,383	5.5
1996	2,728,810	99.8	141,597	5.2

Source: Lorain County Auditor

- (1). State Reimbursement of Rollback and Homestead Exemptions are included.
- (2). Penalties and interest are included, since by Ohio Law they become part of the tax obligation as assessment occurs.
- (3). Delinquent collections are not identified by year.

City of Lorain, Ohio
Principal Real Property Taxpayers
January 1, 2004 and January 1, 1995

Taxpayer	January 1, 2004		
	Real Property Assessed Valuation	Rank	Percentage of Total Real Property Assessed Valuation
First Energy Generation	\$39,439,330	1	4.85%
Ohio Edison Company	18,843,110	2	2.32
Ford Motor Company	15,395,980	3	1.90
Century Telephone	7,751,050	4	0.95
American Transmission	7,436,300	5	0.92
Republic Technologies Int'l *	6,465,780	6	0.80
Cleveland Diocese/Bishop Anthony Pilla	4,836,830	7	0.60
Oster Construction	3,756,480	8	0.46
Key Bank - (Society National)	3,412,500	9	0.42
Emersub XCII **	2,401,580	10	0.30
	\$109,738,940		13.52%
 Total City Valuation	 \$812,413,250		

	January 1, 1995		
	Real Property Assessed Valuation	Rank	Percentage of Total Real Property Assessed Valuation
Ohio Edison Company	\$47,772,640	1	9.09%
Ford Motor Company	24,514,860	2	4.66
Republic Technologies Int'l *	16,062,960	3	3.05
Century Telephone	15,132,190	4	2.88
Columbia Gas if Ohio, Inc.	7,660,130	5	1.46
Lake Terminal Railroad	2,479,680	6	0.47
Emersub XCII **	2,140,020	7	0.41
Key Bank - (Society National)	2,138,470	8	0.41
Kayatin, Louis Etal	1,477,340	9	0.28
Lakeland Medical	1,362,210	10	0.26
	\$120,740,500		22.97%
	\$525,822,030		

Source: Lorain County Auditor

* USS/Kobe in 1996

** RELTEC-Lorain Products in 1996

City of Lorain, Ohio
Principal Personal Property Taxpayers
January 1, 2004 and January 1, 1995

Taxpayer	January 1, 2004		
	Personal Property Assessed Valuation	Rank	Percentage of Total Personal Property Assessed Valuation
Republic Engineered*	\$21,395,490	1	12.71%
United States Steel *	21,124,700	2	12.59
Ford Motor Company	10,047,280	3	5.99
Joe Firment Chevrolet Inc.	1,552,550	4	0.93
Praxair Inc.	1,521,550	5	0.91
National Gypsum Company	1,364,660	6	0.81
P C Campana Inc.	1,327,040	7	0.79
Parnassos L.P.	1,303,360	8	0.78
K Mart Corporation	1,237,120	9	0.74
Tubular Steel Inc.	1,143,760	10	0.68
	<u>\$62,017,510</u>		<u>36.97%</u>
Total City Valuation	<u>\$168,292,522</u>		

Taxpayer	January 1, 1995		
	Personal Property Assessed Valuation	Rank	Percentage of Total Personal Property Assessed Valuation
Republic Engineered*	\$72,049,280	1	32.36%
Ford Motor Company	30,543,780	2	20.00
Marconi Communications **	7,160,240	3	4.69
LTV Steel	4,001,850	4	2.62
P C Campana Inc.	1,595,720	5	1.04
Praxair Inc.	1,451,140	6	0.95
National Gypsum Company	1,342,840	7	0.88
Stein, Inc.	1,041,250	8	0.68
K Mart Corporation	1,021,850	9	0.67
Joyce Buick Pontiac, Inc.	933,830	10	0.61
	<u>\$121,141,780</u>		<u>79.33%</u>
Total City Valuation	<u>\$222,647,320</u>		

* USS/Kobe in 1996

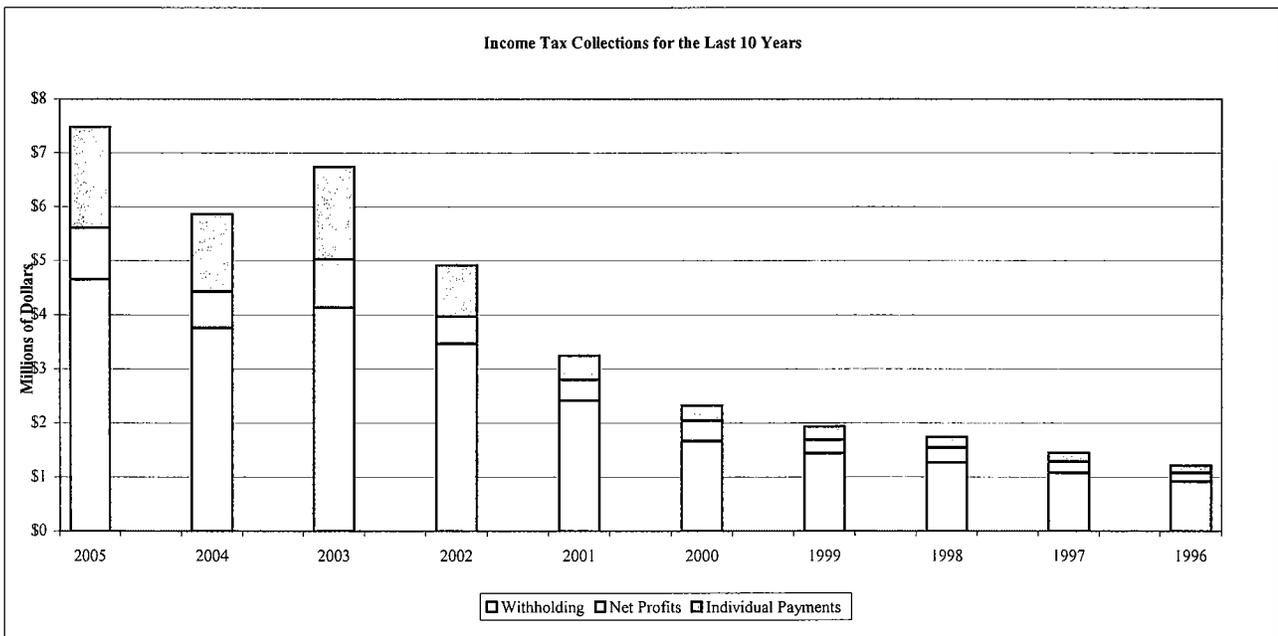
** RELTEC-Lorain Products in 1996

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

Tax Year	Tax Rate (1)	Total Tax Collected (2)	Taxes from Withholding	Percentage of Taxes from Withholding	Taxes From Net Profits	Percentage of Taxes from Net Profits	Taxes From Individual Payments	Percentage of Taxes from Individual Payments
2005	2.00%	\$19,571,403	\$15,827,730	80.87%	\$1,494,399	7.64%	\$2,249,274	11.49%
2004	1.75	17,652,400	14,393,527	81.54	1,266,333	7.17	1,992,540	11.29
2003	1.75	16,558,559	14,028,789	84.72	723,477	4.37	1,806,293	10.91
2002	1.75	16,510,556	13,678,055	82.84	826,394	5.01	2,006,108	12.15
2001	1.75	16,784,765	14,193,981	84.56	684,904	4.08	1,905,880	11.35
2000	1.75	17,811,594	15,254,257	85.64	633,626	3.56	1,923,711	10.80
1999	1.75	16,365,072	13,936,742	85.16	598,620	3.66	1,829,710	11.18
1998	1.75	1,740,194	1,265,323	72.71	280,109	16.10	194,762	11.19
1997	1.75	1,449,217	1,073,939	74.10	211,974	14.63	163,304	11.27
1996	1.75	1,209,685	917,115	75.81	159,230	13.16	133,340	11.02

Source: Regional Income Tax Agency data - certain amounts may be estimates - years are tax years. Number of filers does not equal total taxpayers due to taxpayers paying city taxes through employer withholding only without filing requirement.

- (1) Effective March 1, 2005 City of Lorain Electors voted to increase the City income tax by .25%.
- (2) 2003 through 2005 are on an Accrual Basis and 1996 through 2002 are on a Modified Accrual Basis.



City of Lorain, Ohio
Ratios of Outstanding Debt by Type
Last Ten Years

Year	Governmental Activities	Percentage of Actual Taxable Value of Property (1)	Per Capita (2)	Other Governmental Activities Debt				
	General Obligation Bonds			Special Assessment Bonds	OPWC Loans	Capital Leases	Bond Anticipation Notes	HUD Loans
2005	\$25,998,851	2.65 %	\$378.70	\$762,423	\$1,873,525	\$2,099,227	\$0	\$6,345,000
2004	24,734,873	2.53	360.29	860,127	1,904,310	425,643	4,150,000	6,785,000
2003	25,967,169	2.68	378.24	1,012,831	1,855,801	592,393	3,625,000	4,955,000
2002	21,419,262	2.33	312.00	565,738	1,350,995	769,684	1,320,000	5,325,000
2001	13,518,855	1.47	196.92	693,145	1,193,584	750,112	1,550,000	3,570,000
2000	14,458,448	1.56	210.60	820,552	60,102	803,491	1,550,000	3,845,000
1999	10,363,041	1.25	148.47	982,959	57,172	71,889	1,550,000	1,615,000
1998	9,202,634	1.12	131.84	1,145,366	69,877	193,967	855,000	1,760,000
1997	6,355,198	0.77	91.05	1,384,803	82,582	427,583	1,841,000	1,900,000
1996	7,172,762	0.96	100.34	1,624,239	95,287	673,088	0	2,040,000
	Business-Type Activities							
Year	General Obligation Bonds	Mortgage Revenue Bonds	Capital Leases	OWDA Loans	Total Debt (3)	Percentage of Personal Income (2)	Per Capita (2)	
2005	\$1,510,777	\$10,398,234	\$119,375	\$27,730,126	\$76,837,538	6.85 %	\$1,119.23	
2004	1,550,000	11,363,032	132,395	28,524,772	80,430,152	7.17	1,171.56	
2003	1,885,000	12,282,802	144,780	25,654,980	77,975,756	6.95	1,135.81	
2002	2,215,000	13,152,600	156,561	23,846,979	70,121,819	6.25	1,021.41	
2001	2,540,000	13,992,398	0	24,258,376	62,066,470	5.53	904.07	
2000	2,865,000	14,787,196	0	21,179,116	60,368,905	5.38	879.35	
1999	3,180,000	15,546,966	0	6,103,356	39,470,383	N/A	565.48	
1998	3,490,000	16,271,764	0	3,131,091	36,119,699	N/A	517.47	
1997	3,795,000	16,976,562	0	3,432,328	36,195,056	N/A	518.55	
1996	4,100,000	17,651,360	0	3,715,106	37,071,842	N/A	518.61	

Source: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See S10 and S11 for taxable property value data.

(2) See S24 and S25 for population and personal income data.

(3) Includes general bonded debt, other governmental debt and business-type activities debt, presented at net.

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City of Lorain, Ohio

Legal Debt Margin

Last Ten Years

	2005	2004	2003	2002	2001
General Bonded Debt Outstanding:					
General Obligation Bonds	\$25,981,800	\$24,734,873	\$25,967,169	\$21,419,262	\$13,518,855
Special Assessment Bonds	762,423	860,127	1,012,831	565,738	693,145
Hud Section 108 Loans	6,345,000	6,785,000	4,955,000	5,325,000	3,570,000
Enterprise Fund General Obligation Bonds	1,510,777	1,550,000	1,885,000	2,215,000	2,540,000
Enterprise Fund Revenue Bonds	10,398,234	11,363,032	12,282,802	13,152,600	13,992,398
Ohio Water Development Authority Loans	27,730,126	28,524,772	25,654,980	23,846,979	24,258,376
Bond Anticipation Notes	0	4,150,000	3,625,000	4,809,000	1,850,000
OPWC Loans	1,873,525	1,904,310	1,855,801	1,350,995	1,193,584
Real Estate Acquisition Loan	0	0	17,787	63,505	108,792
Total	<u>74,601,885</u>	<u>79,872,114</u>	<u>77,256,370</u>	<u>72,748,079</u>	<u>61,725,150</u>
Less:					
Special Assessment Bonds	(762,423)	(860,127)	(1,012,831)	(565,738)	(693,145)
Enterprise Fund General Obligation Bonds	(1,510,777)	(1,550,000)	(1,885,000)	(2,215,000)	(2,540,000)
Enterprise Fund Revenue Bonds	(10,106,765)	(11,465,000)	(12,282,802)	(13,152,600)	(13,992,398)
Ohio Water Development Authority Loans	<u>(27,730,126)</u>	<u>(28,524,772)</u>	<u>(25,654,980)</u>	<u>(23,846,979)</u>	<u>(24,258,376)</u>
Total Net Debt Applicable to Debt Limit	<u>34,491,794</u>	<u>37,472,215</u>	<u>36,420,757</u>	<u>32,967,762</u>	<u>20,241,231</u>
Overall Legal Debt Limit					
10 1/2% of Assessed Valuation	102,974,106	102,816,323	101,760,491	100,945,891	96,347,243
Legal Debt Margin Within 10 1/2% Limitations	<u>\$68,482,312</u>	<u>\$65,344,108</u>	<u>\$65,339,734</u>	<u>\$67,978,129</u>	<u>\$76,106,012</u>
Legal Debt Margin as a Percentage of the Debt Limit	66.50%	63.55%	64.21%	67.34%	78.99%
Unvoted Debt Limitation					
5 1/2% of Assessed Valuation	\$53,938,817	\$53,856,169	\$53,303,114	\$52,876,419	\$50,467,603
Net Unvoted Indebtedness Authorized by Council	74,310,416	79,760,414	76,890,964	72,628,310	61,526,416
Less:					
Special Assessment Bonds	(762,423)	(860,127)	(1,012,831)	(565,738)	(693,145)
Enterprise Fund General Obligation Bonds	(10,106,765)	(1,550,000)	(1,885,000)	(2,215,000)	(2,540,000)
Enterprise Fund Revenue Bonds	(10,106,765)	(11,465,000)	(12,282,802)	(13,152,600)	(13,992,398)
Ohio Water Development Authority Loans	<u>(27,730,126)</u>	<u>(28,524,772)</u>	<u>(25,654,980)</u>	<u>(23,846,979)</u>	<u>(24,258,376)</u>
Net Debt Within 5 1/2% Limitations	<u>25,604,337</u>	<u>37,360,515</u>	<u>36,055,351</u>	<u>32,847,993</u>	<u>20,042,497</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$28,334,480</u>	<u>\$16,495,654</u>	<u>\$17,247,763</u>	<u>\$20,028,426</u>	<u>\$30,425,106</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	52.53%	30.63%	32.36%	37.88%	60.29%

(continued)

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

2000	1999	1998	1997	1996
\$14,458,448	\$10,363,041	\$9,202,634	\$6,355,198	\$7,172,762
820,552	982,959	1,145,366	1,384,803	1,624,239
3,845,000	1,615,000	1,760,000	1,900,000	2,040,000
2,865,000	3,180,000	3,490,000	3,795,000	4,100,000
14,787,196	15,546,966	16,271,764	16,976,562	17,651,360
21,179,116	6,103,356	3,131,091	3,432,328	3,715,106
1,550,000	1,550,000	855,000	3,604,000	1,959,000
60,102	57,172	69,877	82,582	95,287
78,069	102,011	0	0	0
<u>59,643,483</u>	<u>39,500,505</u>	<u>35,925,732</u>	<u>37,530,473</u>	<u>38,357,754</u>
(820,552)	(982,959)	(1,145,366)	(1,384,803)	(1,624,239)
(2,865,000)	(3,180,000)	(3,490,000)	(3,795,000)	(4,100,000)
(14,787,196)	(15,546,966)	(16,271,764)	(16,976,562)	(17,651,360)
(21,179,116)	(6,103,356)	(3,131,091)	(3,432,328)	(3,715,106)
<u>19,991,619</u>	<u>13,687,224</u>	<u>11,887,511</u>	<u>11,941,780</u>	<u>11,267,049</u>
97,147,172	86,970,787	86,369,278	86,486,292	78,484,282
<u>\$77,155,553</u>	<u>\$73,283,563</u>	<u>\$74,481,767</u>	<u>\$74,544,512</u>	<u>\$67,217,233</u>
79.42%	84.26%	86.24%	86.19%	85.64%
\$50,886,614	\$45,556,127	\$45,241,050	\$45,302,344	\$41,110,814
58,994,401	39,461,752	35,460,648	36,862,165	37,291,435
(820,552)	(982,959)	(1,145,366)	(1,384,803)	(1,624,239)
(2,865,000)	(3,180,000)	(3,490,000)	(3,795,000)	(4,100,000)
(14,787,196)	(15,546,966)	(16,271,764)	(16,976,562)	(17,651,360)
(21,179,116)	(6,103,356)	(3,131,091)	(3,432,328)	(3,715,106)
<u>19,342,537</u>	<u>13,648,471</u>	<u>11,422,427</u>	<u>11,273,472</u>	<u>10,200,730</u>
<u>\$31,544,077</u>	<u>\$31,907,656</u>	<u>\$33,818,623</u>	<u>\$34,028,872</u>	<u>\$30,910,084</u>
61.99%	70.04%	74.75%	75.12%	75.19%

City of Lorain
 Computation of Direct and Overlapping General Obligation Bonded Debt
 December 31, 2005

	<u>Total Debt Outstanding</u>	<u>Percent Applicable to City (1)</u>	<u>Amount Applicable to City of Lorain</u>
Direct - City of Lorain			
General Obligation Bonded Debt	<u>\$25,998,851</u>	100.00%	<u>\$25,998,851</u>
Overlapping:			
Lorain City Schools	39,469,226	100.00	39,469,226
County of Lorain	<u>26,890,000</u>	19.45	<u>5,149,435</u>
Total Overlapping	<u>66,359,226</u>		<u>44,618,661</u>
Total Direct and Overlapping Debt	<u>\$92,358,077</u>		<u>\$70,617,512</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
Principal Employers
December 31, 2005 and December 31, 1996

	December 31, 2005
Employer	Employees
Community Health Partners ***	1,865
Ford Motor Company-Lorain Assembly	1,616
Lorain City Schools	1,150
Industrias CH, S.A. de C.V (REP)*	1,100
City of Lorain	545
Lorain Tubular	485
Emerson Network Power **	308
The Nord Center	240
Lake Point Health Center****	215
CAMACO, Inc.	211
	7,735
 Total City Employees	 N/A
	 December 31, 1996
	Employees
Ford Motor Company-Lorain Assembly	4,200
USS Kobe Steel Company	2,800
Community Health Partners ***	2,300
Emerson Network Power **	1,250
Lorain City Schools	1,200
Crown Division/TransPro, Inc.	700
P.C. Campana, Inc.	550
City of Lorain	550
May Department Stores	490
Lorain National Bank	257
	14,297
 Total City Employees	 N/A

* USS/Kobe in 1996. In October 2003, REP filed for protection under Chapter 11 of the U.S. Bankruptcy Act. On December 11, 2003, a U.S. Bankruptcy judge approved the tentative sale of REP's assets to Perry Strategic Capital, which formed PAV Republic, Inc., to take over and operate the assets of REP. The plant continues to operate, and PAV Republic, Inc. announced in November 2004 plans to take the company public. In July of 2005, REP was purchased by Industrias CH, S.A. de C.V and its subsidiary, Grupo Simec of Guadalajara, Mexico. REP will become a subsidiary of Grupo Simec and continue to operate as a standalone business.

** RELTEC-Lorain Products in 1996

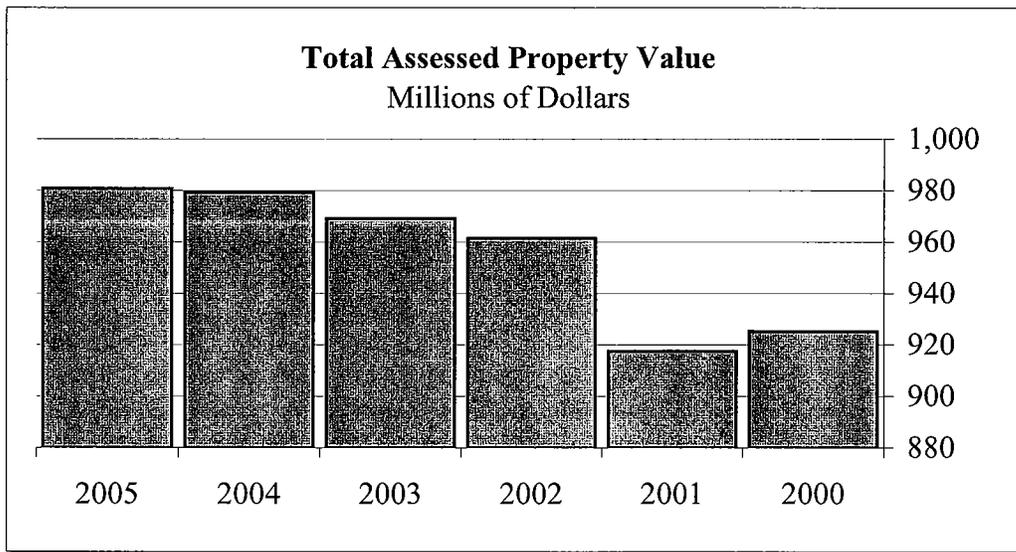
***Lorain Comm/St. Joseph in 1996

****Formerly Ohio Extended Care

N/A - Information not available

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

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



(1) Information prior to 2000 not available

(2) Source: U. S. Census

(a) Years 2000 through 2005 - 2000 Federal Census

(b) Years 1995 through 1999 - 1990 Federal Census

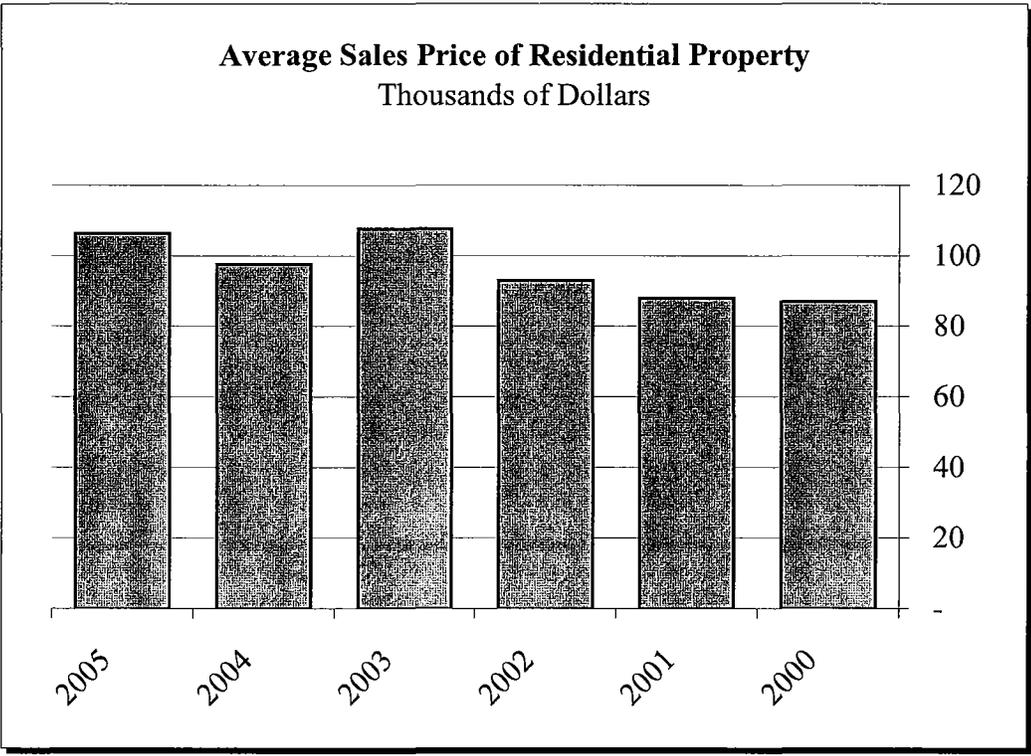
(3) Source: Ohio Department of Education Website: "<http://www.ode.state.oh.us/data/>"

(4) Ohio Department of Job and Family Services

(5) Source: Lorain County Auditor-Chief Appraiser

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

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



City of Lorain, Ohio
Full-Time Equivalent City Government Employees by Function/Program
Last Seven Years (1)

<u>Function/program</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General Government:							
Auditor	7.00	7.00	7.00	9.00	9.00	9.00	9.00
Building Inspection	10.00	8.00	8.00	8.00	9.00	8.00	13.00
Cemetery	3.00	3.00	3.00	3.00	2.00	3.00	5.00
Civil Service	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Clerk of Courts	19.00	13.00	14.00	15.00	19.00	15.00	15.00
Council	14.00	13.00	15.00	15.00	15.00	15.00	15.00
Dog Warden	1.00	1.00	1.00	1.00	1.00	2.00	2.00
Electrical	8.00	6.00	7.00	6.00	6.00	8.00	7.00
Engineering	10.00	10.00	11.00	10.00	10.00	9.00	9.00
Fire	85.00	84.00	87.00	86.00	93.00	89.00	97.00
Income Tax/Treasurer	8.00	8.00	8.00	10.00	8.00	10.00	9.00
Judges	16.00	13.00	12.00	16.00	13.00	12.00	12.00
Law Department	13.00	9.00	10.00	11.00	11.00	11.00	18.00
Mayor	2.50	2.50	2.50	2.50	3.00	3.00	2.00
MIS/Data Processing	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks & Recreation	6.00	4.00	10.00	6.00	14.00	23.00	22.00
Police	102.50	94.50	104.50	97.50	104.50	100.50	107.50
Safety/Service Director	7.30	6.04	7.75	8.75	10.25	11.20	13.70
Street Department	23.00	19.00	21.00	22.00	26.00	34.00	33.00
Health Department	23.00	22.00	22.00	21.00	24.00	24.00	23.00
Muni Court Computer	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Legal Research	0	1.00	1.00	1.00	0	0	0
Community Development	19.00	19.71	22.00	22.00	22.00	20.00	20.00
Police Special Revenue	0	0	0	0	1.50	0	0
Police Levy	22.50	16.50	21.50	42.50	42.00	42.50	43.50
Water	59.42	56.20	64.20	71.20	73.20	58.48	63.98
Water Pollution Control	66.48	69.25	73.25	76.25	76.25	66.52	64.02
Garage	13.00	10.00	9.00	7.00	9.00	11.30	11.00
Hospitalization	0.30	0.30	0.30	0.30	0.30	0.50	0.30
Totals:	544	500	546	572	606	590	619

Source: City of Lorain, Ohio Auditor's Office

(1) 1999-2005 GAAP Conversion Working Papers - 1996-1998 Not Available

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

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

Function/program	2005	2004	2003
General Government			
Construction Permits Issued (1)	5,502	5,529	6,140
Estimated Value of Construction (1)	\$48,208,912	\$92,157,798	\$67,034,093
Economic Development Projects approved (sq.feet) (10)	24,200	63,242	98,202
Number of Planning Commission docket items (1)	n/a	26	9
Purchase Orders Issued (3)	3,824	3,813	3,942
Number of New Litigations Filed	7	20	14
Police (4)			
Total Arrests	2,536	2,345	2,801
Offenses (major offenses such as murder and rape)	20	27	15
Offenses (major offenses: robbery and agg. assault)	316	286	261
Offenses (major offenses such as vehicle theft)	161	89	100
DUI Arrests	171	155	175
Prisoners	0	2,612	4,121
Motor Vehicle Accidents	1,620	1,683	1,805
Calls for Service	46,321	45,663	43,543
Fire (5)			
Emergency responses	3,382	3,127	3,514
Fire Safety Inspections/Re-Inspections	437	763	732
Fire Protection Systems Inspected	32	37	13
Street Department (6)			
Road Maintenance (man hours)*	18,364	17,844	19,830
Asphalt (hot/cold) used in road maintenance (tons)	1,801	1,421	1,061
Concrete used in road maintenance (yards)	965	1,721	1,670
Number of Trees Removed	77	66	113
Truckloads of leaves picked-up	231	223	217
Cubic Yards of leaf humus delivered/sold	262	209	52
Cubic Yards of wood chips delivered/sold	177	152	260
Tons of snow melting salt purchased	5,797	3,940	8,761
Recreation (7)			
No. of People attending Summer Rec Programs	144	n/a	133
Attendance at Santa land	3,232	1,962	1,183

* Estimated n/a = not available

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

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

2002	2001	2000	1999	1998	1997	1996
6,006	6,704	4,559	4,389	385	328	143
\$48,218,378	\$39,501,474	\$33,866,860	\$37,684,978	\$255,722,431	\$29,598,274	\$36,628,535
205,188	107,455	34,986	8,150	29,869	67,640	20,000
18	27	28	20	27	23	32
4,097	4,314	4,947	4,853	4,982	4,892	845
21	17	23	26	13	24	26
3,139	3,205	3,214	3,415	3,374	3,858	4,365
16	23	26	23	39	50	53
255	256	253	192	265	397	180
97	149	140	117	147	174	147
250	239	289	325	313	436	340
4,754	3,205	3,214	3,415	3,374	3,858	4,365
2,018	2,011	2,095	2,225	2,083	2,157	n/a
45,384	43,234	41,345	42,152	44,787	46,517	49,733
3,300	3,502	1,921	1,899	2,042	2,077	2,052
321	841	926	812	928	n/a	2,261
10	33	11	10	14	n/a	n/a
15,882	23,592	24,545	27,608	33,191	35,884	38,808
873	1,160	1,917	1,313	1,046	1,197	1,246
867	1,986	3,482	4,477	2,746	1,999	2,358
96	93	83	92	104	86	81
230	227	219	230	227	210	215
10	175	n/a	n/a	n/a	n/a	n/a
221	214	191	212	239	198	186
6,253	8,060	7,401	6,261	2,035	3,933	n/a
121	116	n/a	157	137	n/a	357
2,786	2,701	1,927	1,433	1,458	1,614	n/a

(continued)

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

Function/program	2005	2004	2003
Health Department (2)			
Help Me Grow Visits (0-3 years of age)	2,459	2,170	2,758
Adult Immunizations	2,660	1,700	2,625
Child Immunizations	2,616	2,830	3,014
Child Health Clinics (0-21 years of age)	581	700	838
HIV Testing	591	586	557
Number of Births	1,134	1,188	1,215
Number of Deaths	890	954	943
Number of Environmental Inspections	2,805	2,693	2,770
City of Lorain Recycling Activity (in tons)	1,178	1,218	1,133
Water/Water Pollution Control (8)			
Water/Sewer Bills mailed (9)	288,314	290,530	287,669
Mayor's Office (9)			
Cemetery Internments		155	160
Cemetery Spaces/Lots purchased		\$62,725	\$51,580
Internment Fess/Misc. Fees		\$74,370	\$76,680
Community Development (10)			
Number of Loans - Home In-Fill	12	7	6
Number of Loans - Home Rehab	5	7	14
Number of Loans - Business	2	5	4
Number of Loans/Projects - 108	1	0	1
Number of Loans/Projects - CDBG	1	0	2
Number of Loans/Projects - EDA Title IX	2	4	3
Number of Loans/Projects - Rental Rehab	2	1	1
Number of Loans/Projects - UDAG	0	0	2

* Estimated n/a = not available

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

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

2002	2001	2000	1999	1998	1997	1996
2,464	n/a	n/a	n/a	n/a	n/a	n/a
3,100	n/a	n/a	n/a	n/a	n/a	n/a
2,476	n/a	n/a	n/a	n/a	n/a	n/a
81	n/a	n/a	n/a	n/a	n/a	n/a
823	n/a	n/a	n/a	n/a	n/a	n/a
1,333	1,507	1,390	1,320	1,197	1,198	1,076
980	891	886	858	877	814	813
2,417	4,278	7,679	7,369	7,609	8,007	9,314
1,092	1,265	1,283	1,206	1,111	670	823
286,844	285,373	284,675	283,832	282,794	n/a	n/a
176	192	151	164	162	194	185
\$47,645	\$48,535	\$39,570	\$42,890	\$44,395	\$41,855	\$41,975
\$81,420	\$85,720	\$63,975	\$71,770	\$66,812	\$79,417	\$69,650
4	1	0	0	0	0	0
7	12	23	22	22	5	6
5	5	5	5	2	4	1
6	4	0	0	0	0	0
3	2	2	0	1	3	2
4	8	8	0	6	4	1
1	1	1	1	1	3	2
2	1	1	1	0	0	0

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

Function/program	2005	2004	2003	2002
General Government				
Square Footage Occupied (2), (3)				
Engineering Vehicles (2)	7	6	6	6
Inspection Vehicles (1)	7	7	6	6
Community Development Vehicles (4)	8	7	7	7
Number of Traffic lights (2), (3)	528	528	528	528
Police (5)				
Stations	3	3	4	2
Vehicles	101	92	92	112
Fire (6)				
Stations	4	4	4	4
Vehicles	26	27	28	28
Street Department (7)				
Streets (miles)	285	281	279	279
Vehicles	38	44	45	45
Recreation (8)				
Number of Parks	57	57	57	57
Number of Pools	3	3	3	3
Vehicles	22	n/a	n/a	n/a
Water/Water Pollution Control (9)				
Sanitary sewers (miles)	280	280	280	271
Water lines (miles)	310	310	310	299
Vehicles	86	90	90	90
Mayor's Office (10)				
Vehicles	1	1	1	1

Sources:

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

n/a: Information not available

2001	2000	1999	1998	1997	1996
6	6	6	6	6	6
6	6	6	6	6	6
7	6	6	6	6	6
522	522	522	522	522	522
2	3	3	3	3	3
n/a	n/a	n/a	n/a	n/a	n/a
4	4	4	4	4	4
27	26	26	26	26	26
265	220	220	216	216	216
43	41	43	40	38	37
57	56	56	56	56	56
3	3	3	3	3	3
26	n/a	n/a	28	n/a	n/a
267	267	267	267	267	267
297	297	297	297	297	297
90	85	85	85	85	85
1	1	1	1	1	1



City Of Lorain, Ohio

SINGLE AUDIT REPORTS

DECEMBER 31, 2005

City of Lorain, Ohio

For The Year Ended December 31, 2005

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

Members of the City Council
City of Lorain, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lorain, Ohio (the “City”) as of and for the year ended December 31, 2005, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 9, 2006, wherein we noted the City of Lorain adopted Government Accounting Standards Board Statement No. 40, 42 and 44. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 05-1, 05-2 and 05-3.

We noted certain additional matters that we have reported to management of the City in a separate letter dated June 9, 2006.

Members of the City Council
City of Lorain, Ohio

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

Cuni & Paricki, Inc.

Cleveland, Ohio
June 9, 2006

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

Members of the City Council
City of Lorain, Ohio

Compliance

We have audited the compliance of the City of Lorain, Ohio (the “City”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The City’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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

In our opinion, the City of Lorain complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2006, wherein we noted the City of Lorain adopted Government Accounting Standards Board Statement No. 40, 42 and 44.

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

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

Cini & Paricki, Inc.

Cleveland, Ohio
June 9, 2006

City of Lorain, Ohio

Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2005

<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		\$ 3,023,505
Section 108 Program	14.248		<u>657,762</u>
Total CDGB Program			<u>3,681,267</u>
HOME Investment Partnership Program	14.239		<u>1,415,861</u>
Total U.S. Department of Housing and Urban Development			<u>5,097,128</u>
U.S. Department of Transportation			
Passed-through Ohio Department of Transportation			
Highway Planning and Construction	20.205	03N033	76,843
Passed-through Ohio Department of Public Safety			
State and Community Highway Safety Grant	20.600	FY2004/2005	<u>30,377</u>
Total U.S. Department of Transportation			<u>107,220</u>
U.S. Department of Health and Human Services			
Passed-through Ohio Department of Health			
Public Health Infrastructure Grant	93.283	47-1-001-2-BI-06	78,967
HIV Prevention Grant	93.940	263-440-5238-6	29,640
Cardiovascular Health Grant	93.991	47-2-002-2-ED-03	809
Cardiovascular Health Grant	93.991	47-2-002-2-ED-04	47,446
Cardiovascular Health Grant	93.991	47-2-002-2-ED-05	<u>76,500</u>
Total U.S. Department of Health and Human Services			<u>233,362</u>

(Continued)

The accompanying notes are an integral part of this schedule

City of Lorain, Ohio

Schedule of Expenditures of Federal Awards (Continued)

For The Year Ended December 31, 2005

U.S. Department of Justice

Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants	16.579	2005-DJ-BX-1395	20,000
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0459	17,690
Public Safety Partnership and Community Policing Grant (COPS)	16.710	04-SHWX-0088	14,904
Public Safety Partnership and Community Policing Grant (COPS)	16.710	04-CKWX-0574	<u>50,000</u>
Total U.S. Department of Justice			<u>102,594</u>

U.S. Department of Homeland Security

Assistance to Firefighters Grant	97.044	FEMA-EMW-2004-FG-19131	<u>24,429</u>
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Total Federal Awards Expenditures \$ 5,564,733

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, 2005

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUBRECIPIENTS

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

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

NOTE 3 – LOANS

A. Home Program Loans

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

B. Section 108 Loans

The City has borrowed and expended 5 loans from the HUD under Section 108 of Title 1 of the Housing and Community Development Act, as amended. The funds were used in connection with economic development of local businesses. Principal and interest payments are due semi-annually. The loans and related activities have not been reflected in the Schedule of Federal Awards. The terms and balances due as of December 31, 2005 are as follows:

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Length of Term</u>	<u>Balance at December 31, 2005</u>
December 15, 1992	\$ 2,200,000	20 years	\$ 770,000
December 15, 1992	200,000	20 years	70,000
June 14, 2000	2,500,000	19.5 years	1,750,000
August 8, 2002	2,000,000	19 years	1,625,000
July 6, 2004	2,200,000	20 years	2,130,000

City of Lorain, Ohio

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

December 31, 2005

1. Summary of Auditors' 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

05-1 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, 2005:

General Fund	\$ 1,249,726
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City of Lorain, Ohio

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

December 31, 2005

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

- 05-2 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, 2005, the City had expenditures plus encumbrances in excess of appropriations as follows:

<u>Major Funds</u>	<u>Excess</u>
General Fund	
Civil Service	
Wages and Benefits	\$ 2,225
Electrical	
Contractual Services	26,310
Safety / Service Director	
Contractual Services	799,485
Police Department	
Wages and Benefits	1,124,452
Fire Department	
Wages and Benefits	926,245
<u>Non-Major Funds</u>	
Streets	
Wages and Benefits	933

- 05-3 Ohio Revised Code 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

At December 31, 2005, the City had total final appropriations in excess of total estimated revenue as follows:

<u>Major Funds</u>	<u>Excess</u>
Water Pollution Control	\$ 200,507

3. Findings for Federal Awards

There were no findings for federal awards to report in 2005.

City of Lorain, Ohio

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

December 31, 2005

Finding No.	Finding Summary	Fully Corrected	Explanation
04-1	<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, 2004, 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 2005.
04-2	<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, 2004, 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 2005.

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, 2005

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
05-1	Management will monitor fund balances and properly advance funds to cover deficit fund balances, if necessary.	N/A	Ronald Mantini, Auditor
05-2	Management will monitor expenditures and encumbrances and amend appropriations, if necessary.	N/A	Ronald Mantini, Auditor
05-3	Management will monitor appropriations and estimated revenues and will make amendments in order to meet compliance requirements, 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
SEPTEMBER 5, 2006**