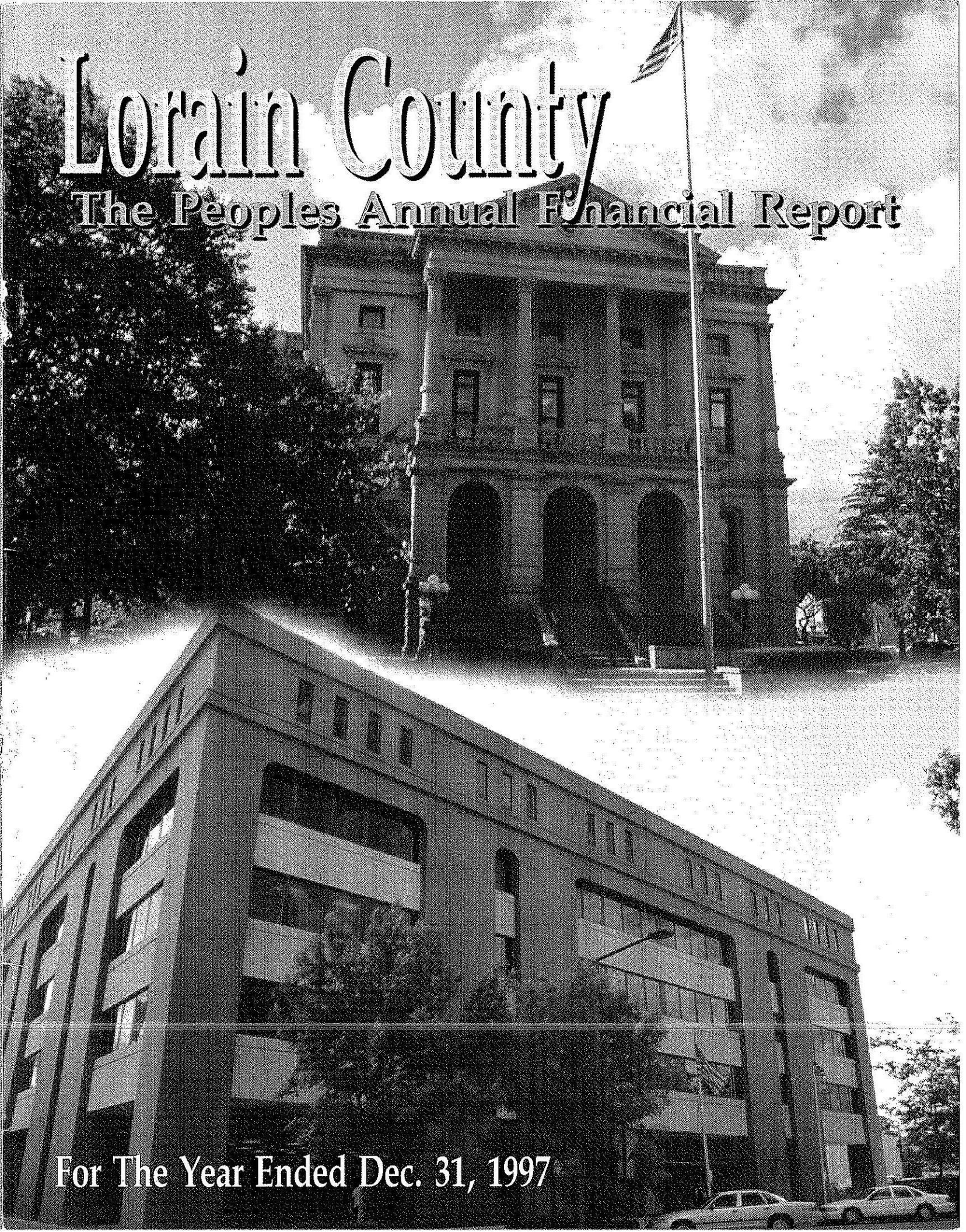


Lorain County

The Peoples Annual Financial Report



For The Year Ended Dec. 31, 1997



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OFFICE OF THE AUDITOR
LORAIN COUNTY, OHIO

MARK R. STEWART
Auditor

To the Citizens of Lorain County:

We are pleased to present for the first time the Lorain County Peoples Annual Financial Report (PAFR) for the year ended December 31, 1997. The basis for our information comes from our Comprehensive Annual Financial Report (CAFR) that is over 180 pages long. This report is a condensed, easy to read version of the 1997 CAFR.

The report is designed to provide an easily understood financial analysis of the County's revenues and expenditures, and some general information about your County government. Since the PAFR condenses and simplifies our 1997 CAFR it does not conform to generally accepted accounting principles and related government reporting standards. Our 1997 CAFR has been audited by the Auditor of State and conforms to generally accepted accounting principles.

Thank you for having an interest in the operation of our County Government and taking time to review this report. I invite you to share any questions, comments or recommendations you may have about Lorain County. Do not hesitate to contact me at (440) 329-5170 with your questions and suggestions for improvements or wish to obtain further information or review our Comprehensive Annual Financial Report. You may also visit our web site at www.loraincounty.com/auditor.

Respectfully submitted,

Mark R. Stewart
Lorain County Auditor

FORM OF GOVERNMENT AND REPORTING ENTITY

Lorain County, established in 1822, is located in northeastern Ohio, approximately 30 miles west of Cleveland, and covers an area of 495 square miles. It encompasses 33 cities, villages, and townships, the largest being the city of Lorain. The county seat is located in Elyria, which is the second largest city in the County. According to the 1990 census, the County had a population of 271,126, making it the ninth most populous of the 88 counties in the State.



**Lorain County Auditor Mark Stewart
Lorain County Commissioner Betty Blair
Lorain County Treasurer Dan Talarek**

The County has only those powers, and powers incidental thereto, conferred upon it by the State Constitution and statutes. A three member Board of Commissioners (the Board) is elected at large in even-numbered years for four-year overlapping terms. The Commissioners serve as the taxing authority, the contracting body, and the chief administrators of public services for the County. The Board of Commissioners creates and adopts the annual operating budget and makes the annual appropriation measure for expenditures of all County funds. In addition to the Board of Commissioners, the offices of County Auditor and County Treasurer, grouped under the category of general government, are of particular importance to financial affairs of the County.

The Auditor serves as the fiscal officer and property tax assessor for the County. One of the most important functions of the Auditor involves the assessing of real property for tax purposes. State law mandates a complete reappraisal of real property every six years as well as triennial updates between reappraisals. Once the County Treasurer collects taxes, the Auditor is responsible for distributing the tax settlement to the various governmental units. As chief fiscal officer of the County, no County contract or obligation may be made without the Auditor's certification that the funds have been lawfully appropriated, are available for payment, or are in the process of collection. In addition, the Auditor is responsible for the County payroll and has other statutory accounting functions. By State law the Auditor is secretary of the County Board of Revision and the County Budget Commission, and administrator of the County Data Processing Board.

The Treasurer collects property taxes, is the custodian of all funds and is responsible for investing all idle County funds as specified by law. The Treasurer is the distributing agent for expenditures authorized by the Board of Commissioners upon the Auditor's warrant. The Treasurer must make daily reports showing receipts, payments and balances to the County Auditor, and the books of account must always balance with those of the County Auditor. The Treasurer is a member of the County Budget Commission which plays an important part in the financial administration of local governments throughout the County.

Other elected officials, serving four-year terms each, include Prosecutor, Sheriff, Engineer, Clerk of Courts, Recorder, and Coroner. Common Pleas Judges, Domestic Relations Judges, and the Probate Judge are also elected on a county-wide basis.

The County provides its citizens a wide range of services that include human and social services, health and community assistance services, road and bridge maintenance, and other general and administrative support services. The County also operates an enterprise fund sewer operation.

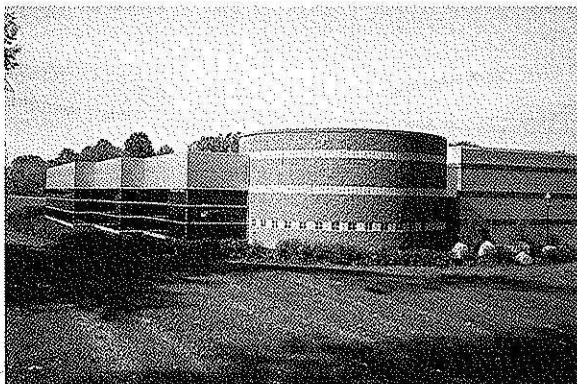
Lorain County, Ohio
Condensed Balance Sheet as of December 31

	1997	1996
Assets:		
Cash & Cash Equivalents	\$ 115,582,184	\$ 112,850,519
Taxes Receivables	324,536,084	318,005,096
Other Receivables	51,591,609	43,464,570
Fixed Assets	64,517,111	48,507,187
Inventory	723,071	645,147
Prepaid Items & Deposits	14,499,627	13,531,246
Other	<u>18,941,943</u>	<u>20,187,172</u>
Total Assets	<u>\$ 590,391,829</u>	<u>\$ 557,190,937</u>
 Liabilities		
Accrued Payroll, Accounts Payable and Other	\$ 379,056,119	\$ 359,090,627
Compensated Absences Payable	5,121,993	4,325,518
Deferred Revenue	26,589,307	33,233,456
Notes Payable	8,345,000	12,733,400
Bonds Payable	<u>9,256,479</u>	<u>10,406,003</u>
Total Liabilities	<u>\$ 430,368,898</u>	<u>\$ 419,789,004</u>
 Assets less Liabilities	 <u>\$ 160,022,831</u>	 <u>\$ 137,401,933</u>

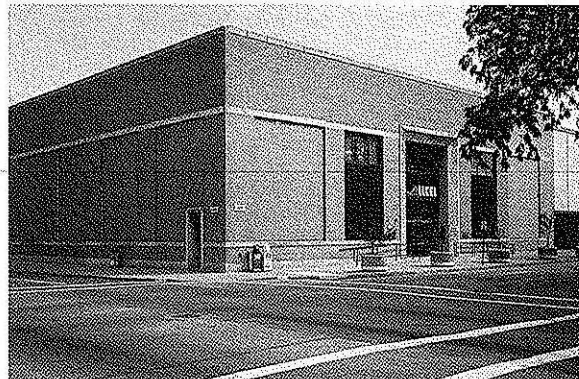
Lorain County, Ohio
Principal Taxpayers
December 31, 1997

<u>Taxpayers</u>	<u>Nature of Business</u>	<u>Real Estate Assessed Valuation</u>	<u>Tangible Personal Property Assessed Valuation</u>	<u>Total Assessed Valuation</u>	<u>Percent of Total County Assessed Valuation</u>
Cleveland Electric Illuminating	Public Utility	\$0	\$122,112,470	\$122,112,470	3.24%
Ohio Edison	Public Utility	0	117,217,800	117,217,800	3.11
Ford Motor Company	Business	28,288,930	69,038,740	97,327,670	2.58
USS/KOBE Steel Co.	Business	16,678,180	75,371,200	92,049,380	2.44
Columbia Gas of Ohio, Inc.	Public Utility	0	41,267,400	41,267,400	1.09
Century Telephone Company	Public Utility	0	32,381,000	32,381,000	0.86
Alltel Ohio	Public Utility	0	28,702,240	28,702,240	0.76
Nissan Motor Corp.	Business	1,082,520	16,233,760	17,316,280	0.45
GEON Company	Business	0	14,365,860	14,365,860	0.38
Columbia Gas Transmission	Public Utility	0	12,360,170	12,360,170	0.33
	Totals	<u>\$46,049,630</u>	<u>\$529,050,640</u>	<u>\$575,100,270</u>	<u>15.24%</u>

Source: Lorain County Auditor



Columbia Gas of Ohio, Inc.



Alltel Ohio

MAJOR INITIATIVES

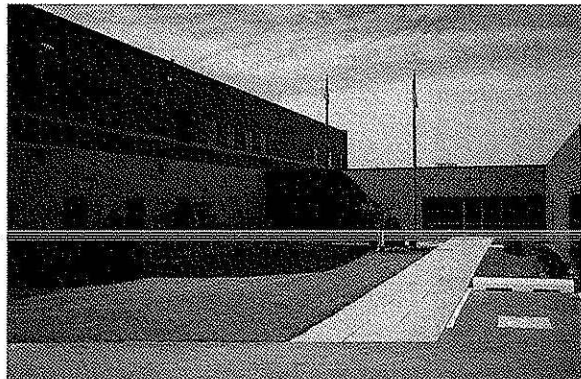
In May of 1994 the voters of Lorain County passed a quarter percent sales tax levy for the renovation, reconstruction and maintenance of the Lorain County Correctional Facility. The levy will enable the current jail to be expanded by 208 beds. The estimated cost of the jail expansion is \$9 million, of which approximately \$3 million will be state funded. Approximately \$5.4 million was expended during 1997 towards this project which is scheduled to be completed in the fall of 1998.

In 1997, the County constructed a new juvenile detention facility replacing a number of older structures along with adding a couple of new buildings. The County spent approximately \$2.4 million dollars towards the construction of this facility, part of which has been funded through State grants. Completion of the complex was scheduled for the fall of 1998. With the addition of these structures the County will be able to provide an expanded number of services along with fine tuning their existing programs.

Under the authority of House Bill Number 444, Lorain County has been given permission to add two new judgeships to the Lorain County Court of Common Pleas, one to be elected to the Division of Domestic Relations and one to the General Division. The terms of the new judgeships will commence January 2, 1999. This will bring the total number of Domestic Relation Judgeships to three and five for the General Division along with one Probate Court Judge. With the addition of these judgeships, the need for increased work and courtroom space will be required. The County has purchased numerous properties in 1997 in anticipation for the construction of a new justice center, which will house all the Courts in one facility. The plans are nearly complete, with the anticipated construction to get under way in late 1998 or early 1999. Until the facility is complete, the new Judges will be placed in other County owned facilities.



Lorain County Juvenile Detention Facility



Lorain County Correctional Facility

ECONOMIC CONDITION AND OUTLOOK

Lorain County is well situated in a diverse, industrialized region on the southern shore of Lake Erie, within a one hour drive of the major cities of Cleveland and Akron. Approximately one-third of the United States population lives within a 500-mile radius of the County. The County enjoys the benefits of urbanization while also offering a rural atmosphere and a variety of lifestyles for its inhabitants. The County is traversed by two major limited-access highways and a number of major State and U.S. Highways. Interstate Highways 80 and 90, major east-west transportation links, provide residents of the County direct access to major economic centers such as Chicago, Illinois, to the west and Cleveland, Ohio; Erie, Pennsylvania; and Buffalo and Rochester, New York to the east. State and U.S. Routes, such as U.S. 6 and 20 and State Routes 2, 57, 58, 254, and 611, provide excellent access to local and regional markets south, east and west. The excellent road network of the County has attracted over 41 common carriers that serve the area.

The County has access to other land transportation as well as sea or air. The County has access to major railroad systems and is currently served by Amtrak, ConRail, Norfolk and Southern, Chessie System and Lorain and West Virginia railroads. A major port located within the corporate limits of the County has facilities which provide ore-transshipping from ship to ship to rail, and docks and other facilities for the receipt of iron ore, gypsum ore, concrete, aggregates and oil. The port is operated by the Lorain Port Authority, a political subdivision separate from the County. Air freight and air passenger service access is provided through the Lorain County Regional Airport in New Russia Township and Cleveland Hopkins International Airport and Burke Lakefront Airport in adjacent Cuyahoga County.

Numerous adult education opportunities complement the educational programs offered to the youth of the County. The Lorain County Community College provides the opportunity for the citizens of the County to further their education with associate degrees in various fields. Recently the college has teamed-up with other major universities for students to obtain four-year degrees.

FINANCIAL INFORMATION

Basis of Accounting The County's accounting system is organized on a "fund" basis. Each fund or account group is a distinct self-balancing accounting entity. For financial reporting purposes, the accounting records for all governmental and fiduciary funds are converted to the modified accrual basis, whereby revenues are recognized when measurable and available within the business cycle (within sixty days after year end), and expenditures are recognized when the fund liability is incurred.

Accounting records for the proprietary funds are converted to the accrual basis, whereby revenues are recognized when goods or services are measurable and earned, and expenses are recognized in the period in which they are incurred.

Internal Accounting Control In developing the County's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The County utilizes a fully automated accounting system as well as automated systems of control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment by the accounting department of the Auditor's Office, ensure that the financial information generated is both accurate and reliable.

Budgetary Control The Board of County Commissioners adopts a permanent appropriation measure in December of the previous year. All disbursements and transfers of cash between funds require appropriation authority. Budgets are controlled at the object level within a department and fund. Purchase orders are approved by the department heads and are encumbered prior to their release to vendors. Those purchase orders which exceed the available appropriation are rejected until additional resources are secured. A computerized certification system allows the Auditor's office to ascertain the status of a department's appropriation prior to authorizing additional purchases from a certain account.

General Governmental Functions - Financial Highlights During 1997, revenues in all governmental fund types (general, special revenue, debt service, capital projects) exceeded 1996 revenues by \$12,601,291. The subsequent tables reflect the major revenue sources, their percentage of total revenues, and the amount and percentage of increase (decrease) in relation to the prior year.

REVENUES AND EXPENDITURES

The most significant continuing source of revenue for the County is derived from taxes. Tax revenues in the general fund, special revenue, and debt service funds increased by \$719,858 due to increased assessed valuation. Assessed valuation increased from \$3,633,837,067 in 1996 to \$3,773,102,360.

Intergovernmental revenues increased due to increased grant moneys for human services, mental retardation, jail facility construction grant moneys, and street construction projects.

Legislative and executive expenditures increased due to salary increases. The corresponding employer paid benefits also increased.

Public safety expenditures increased due to an upgrade to the communications network for the 911 system and salary increases.

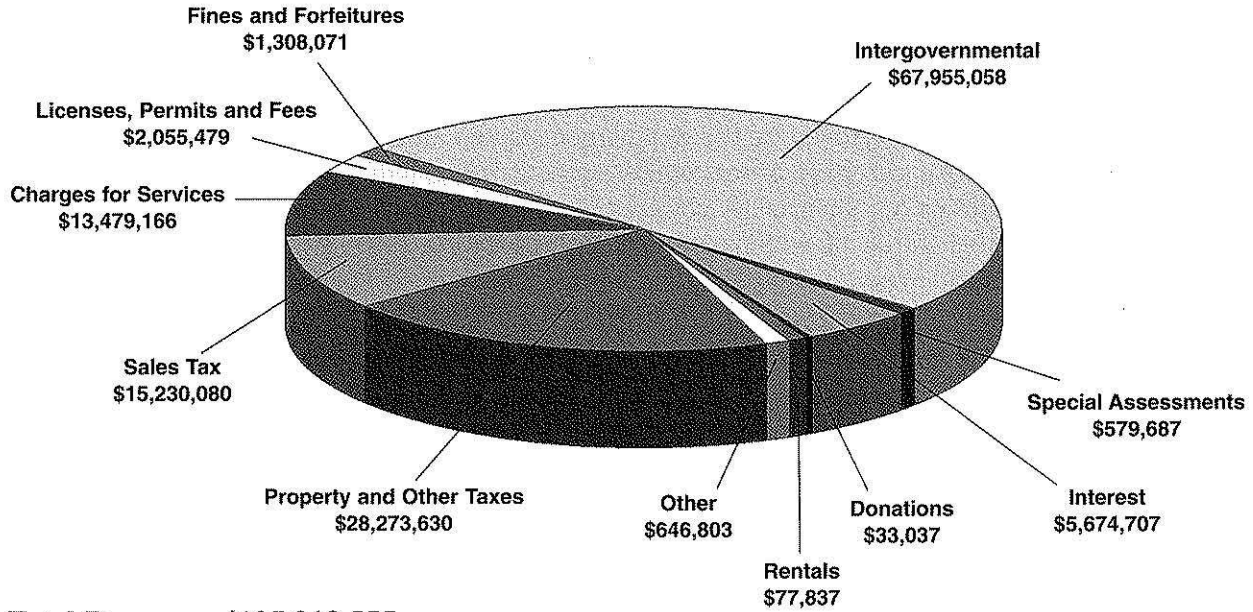
Health expenditures increased as additional programs were provided which relate to the increased grant moneys.

Intergovernmental expenditures increased due to increased flow through grant money for the Community Based Correctional Facility.

Expenditures in all governmental fund types increased by \$19,337,669. The subsequent table highlights the major revenue and expenditure functions:

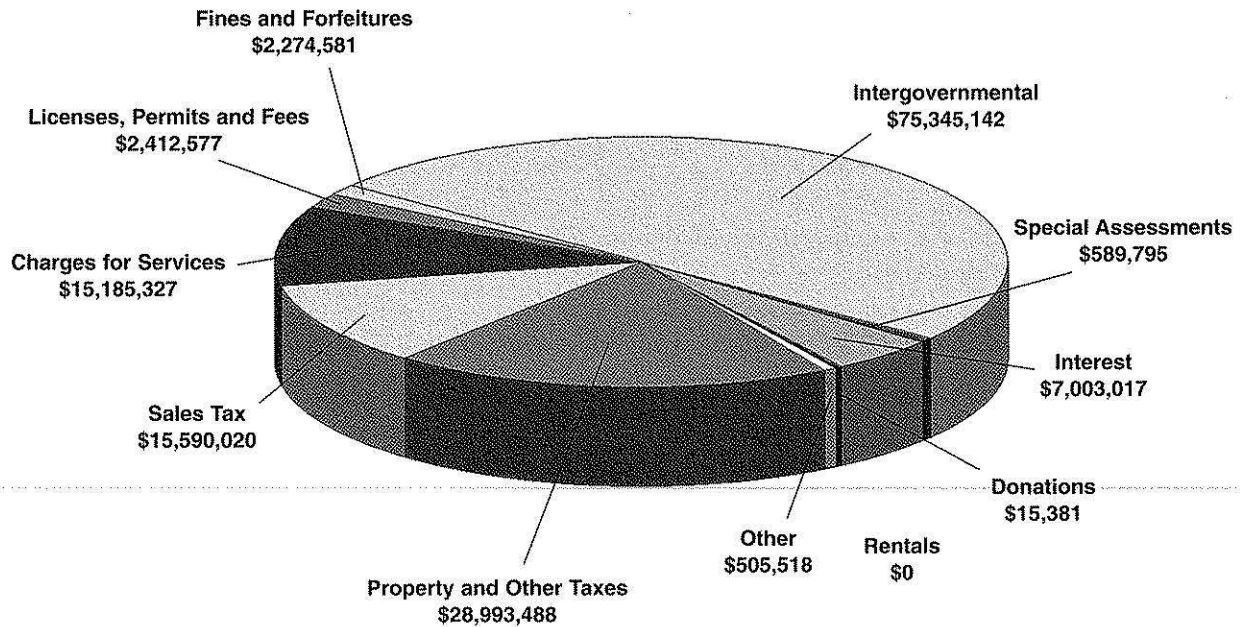
Revenues - All Governmental Fund Types

1996



Total Revenues \$135,313,555

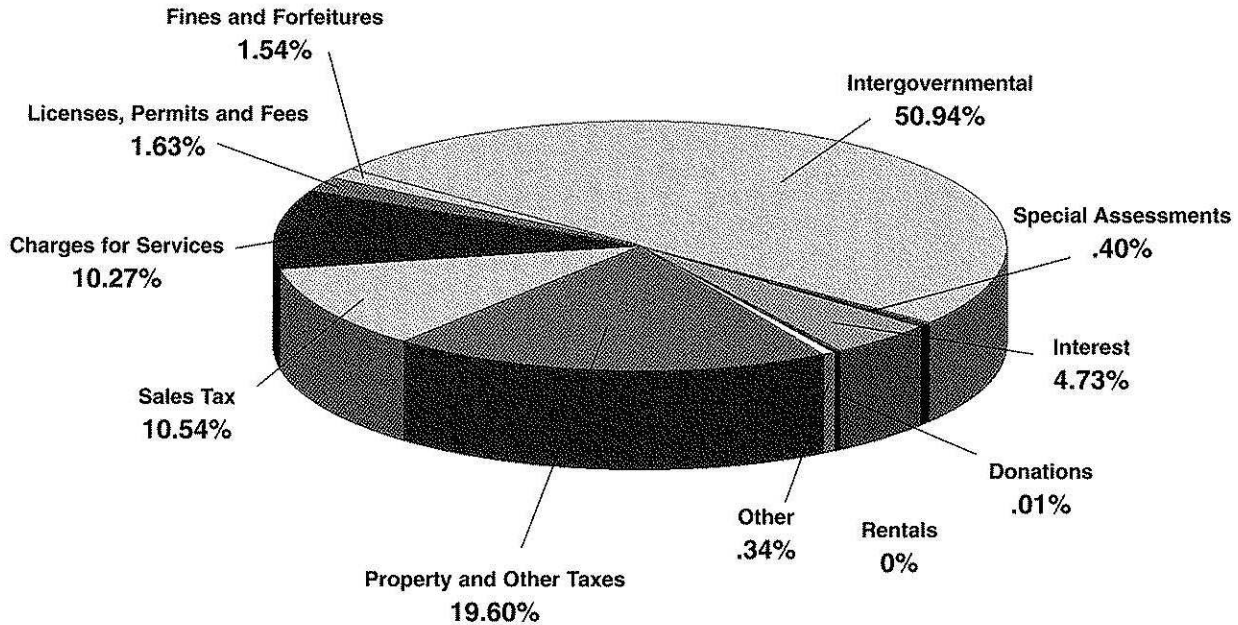
1997



Total Revenues \$147,914,846

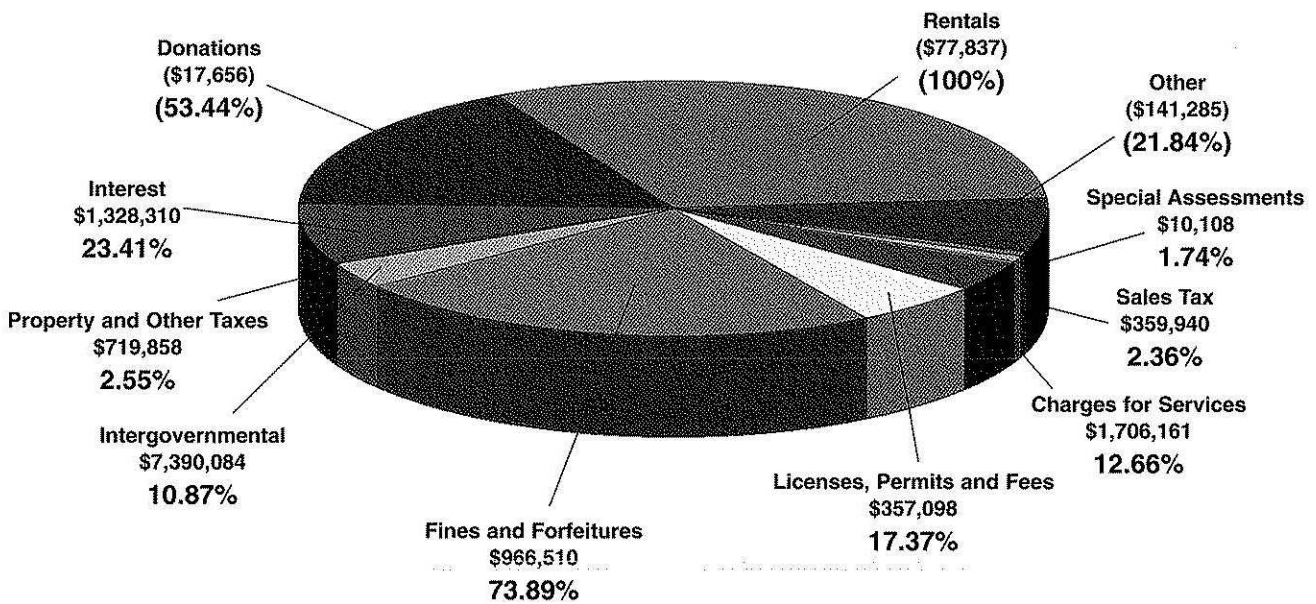
Revenues - All Governmental Fund Types

Percent of Total



Total Revenues 100% \$147,914,846

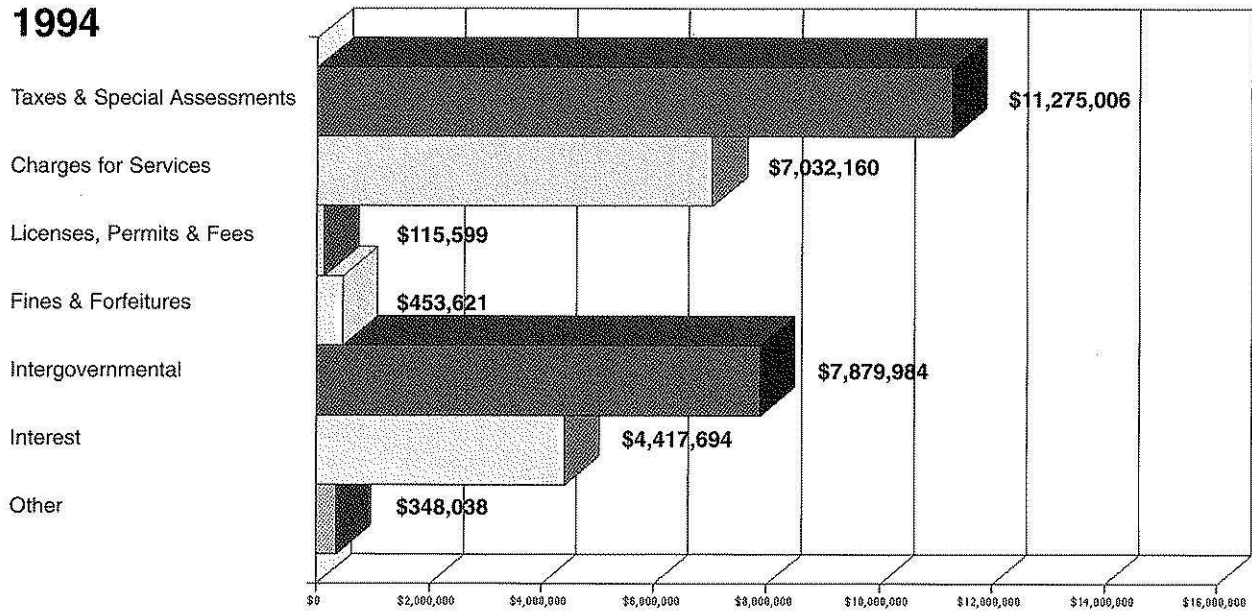
Percent of Change



Total Revenues 1997 - \$147,914,846 > 9.31% of change
 Total Revenues 1996 - \$135,313,555

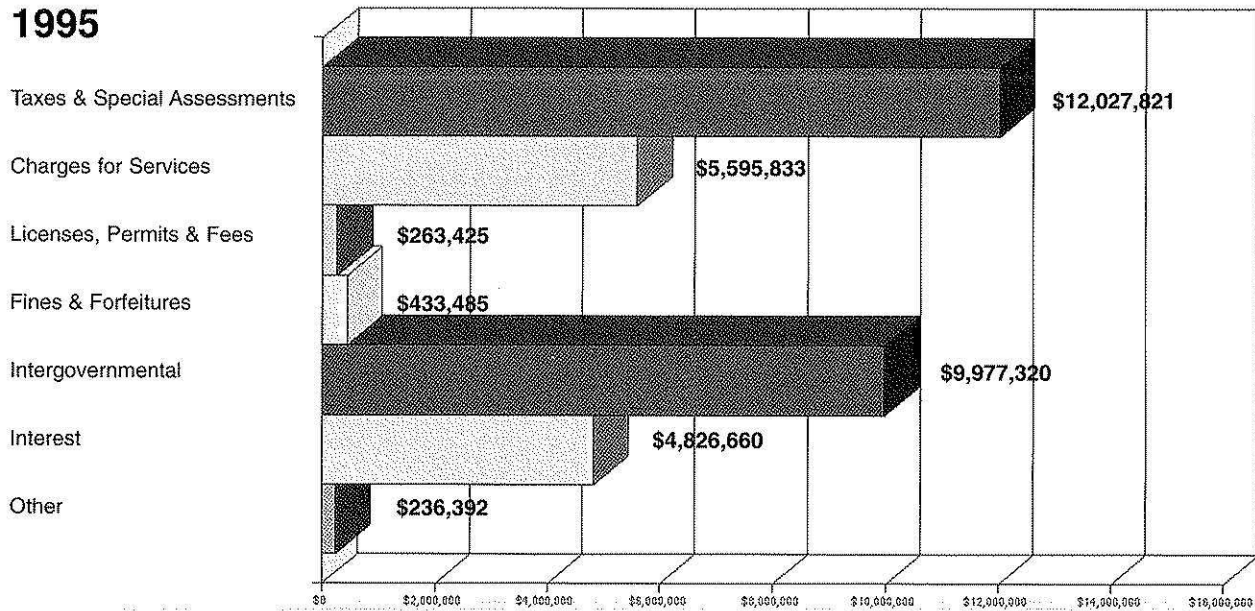
Lorain County, Ohio General Fund Revenues by Source

1994



Total Revenues \$31,522,102

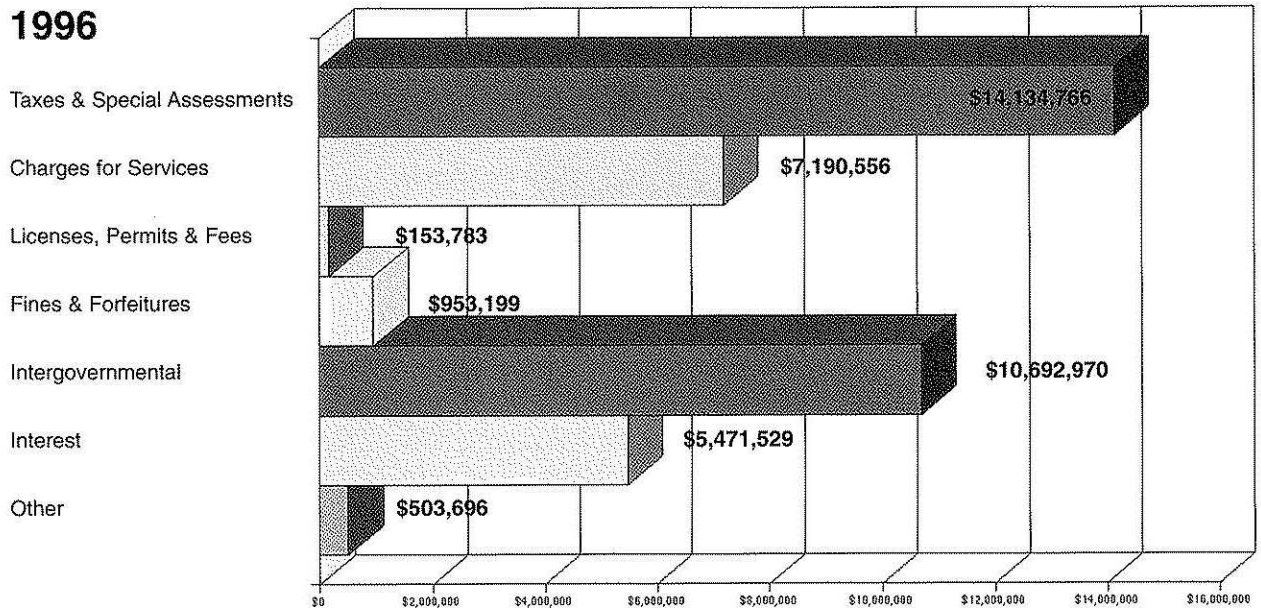
1995



Total Revenues \$33,360,936

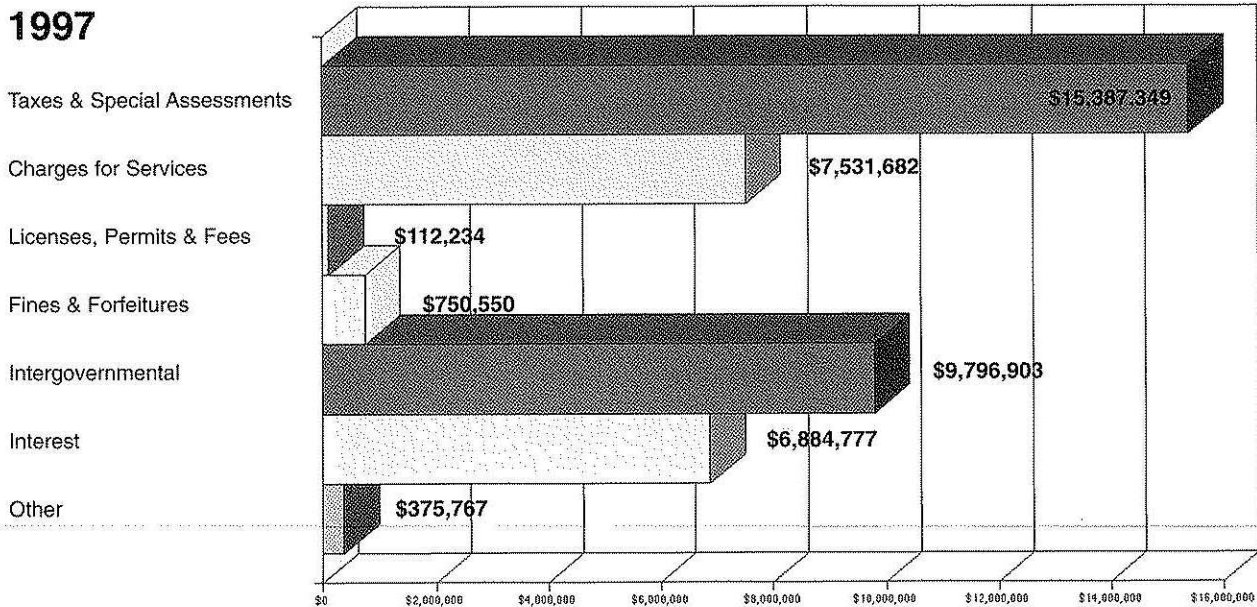
Lorain County, Ohio General Fund Revenues by Source

1996



Total Revenues \$39,100,499

1997



Total Revenues \$40,839,262

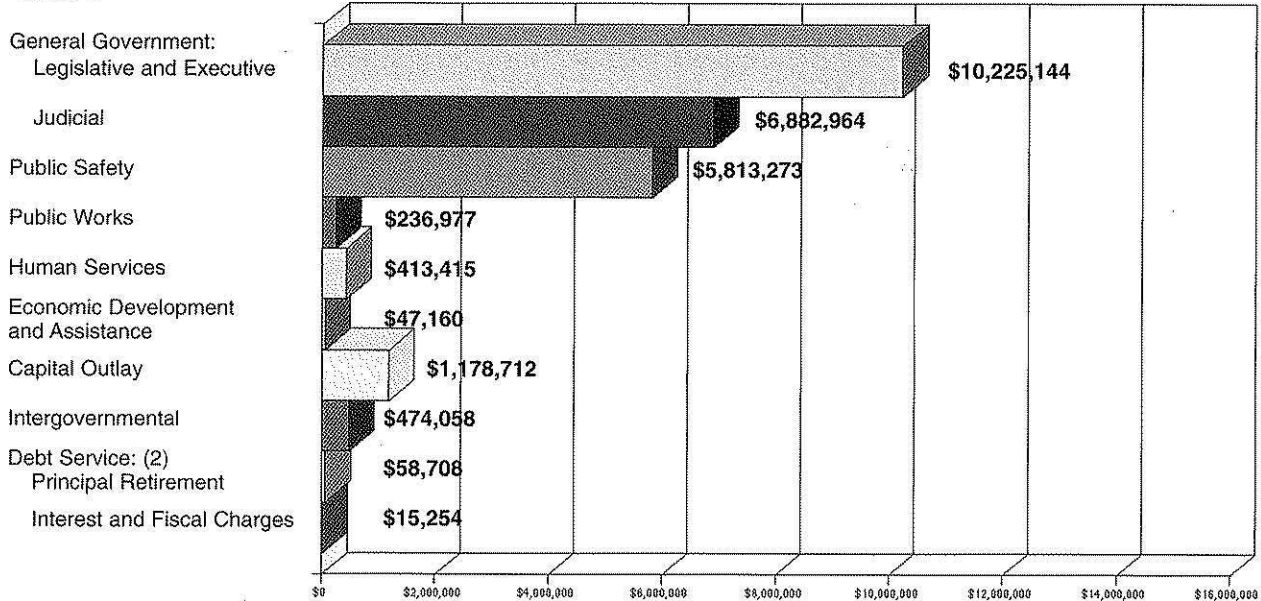
(1) Based on GAAP basis accounting

Source: Lorain County Financial Statements

Lorain County, Ohio

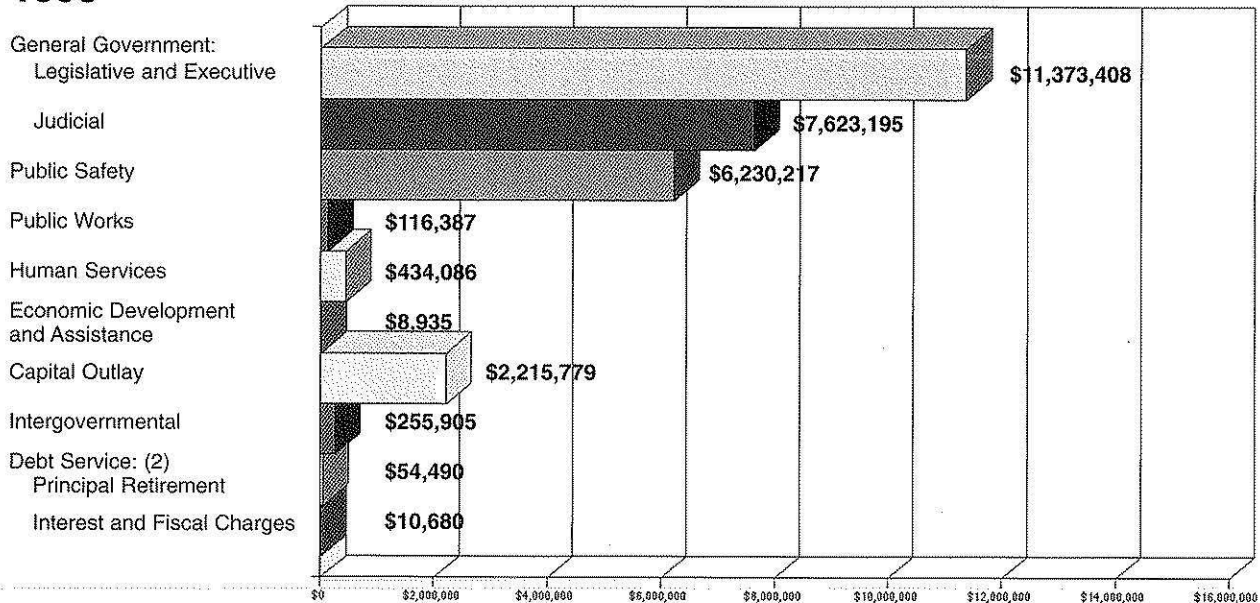
General Fund Expenditures by Function

1994



Total Expenditures \$25,349,991

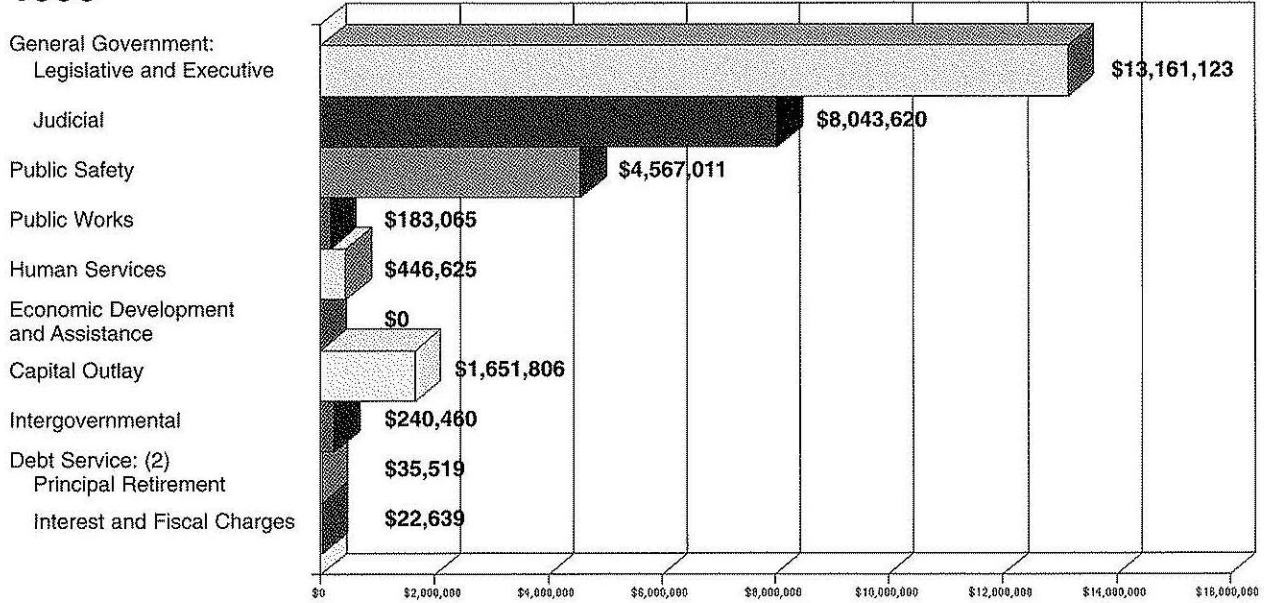
1995



Total Expenditures \$28,346,875

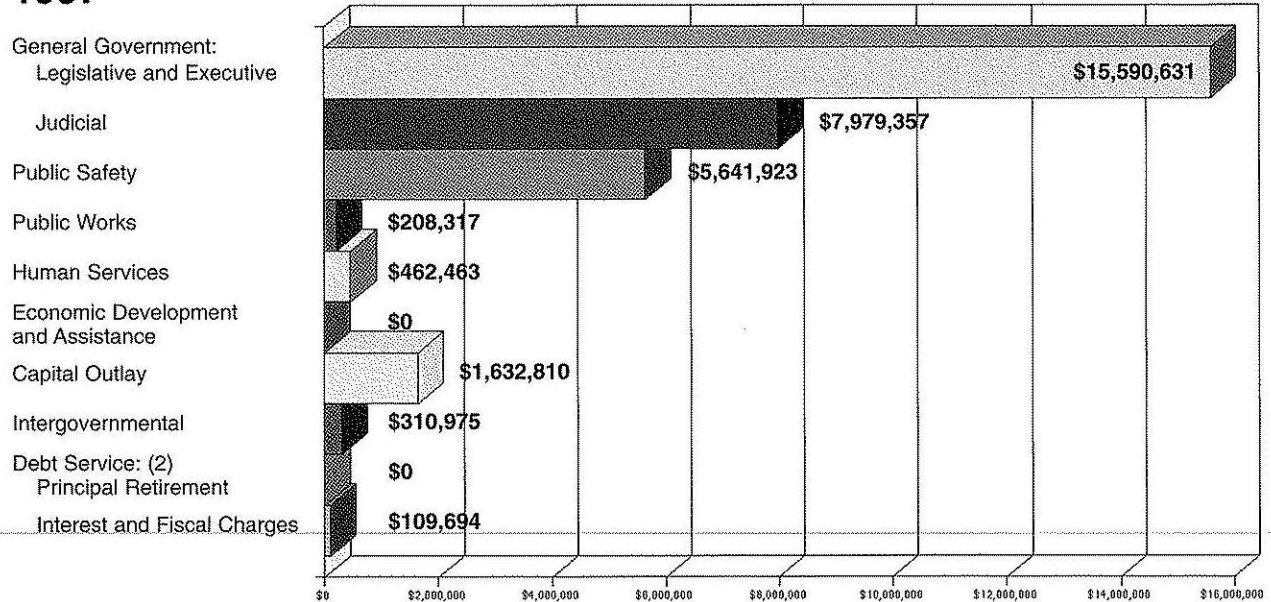
Lorain County, Ohio General Fund Expenditures by Function

1996



Total Expenditures \$28,356,561

1997



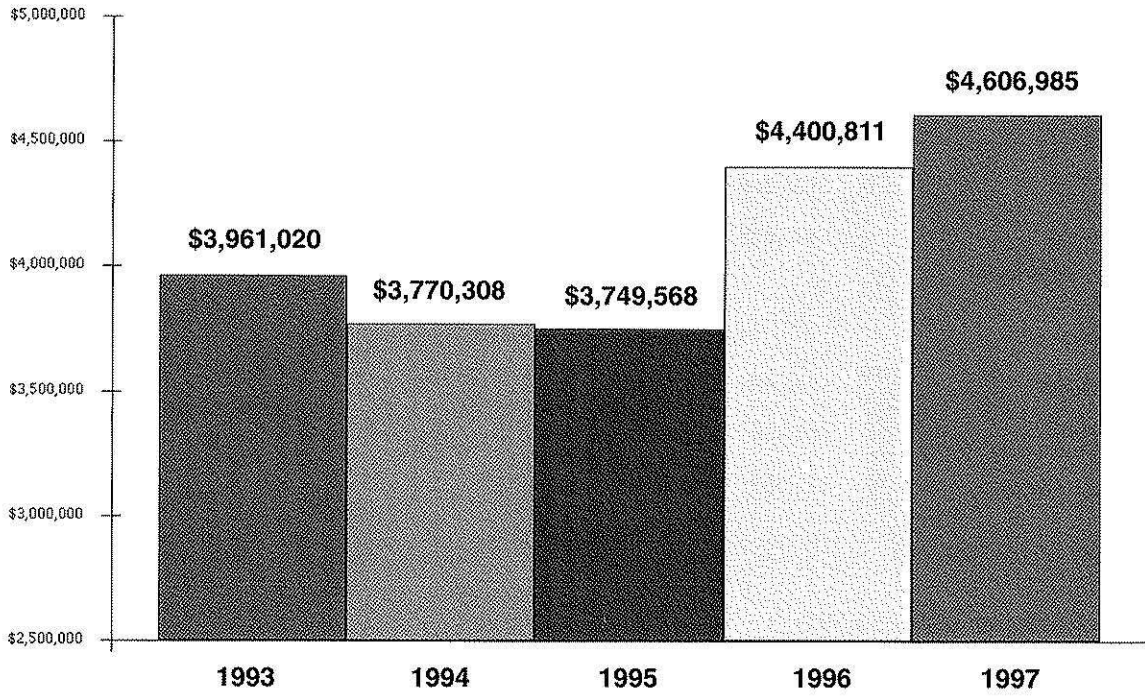
Total Expenditures \$31,940,501

(1) Based on GAAP basis accounting

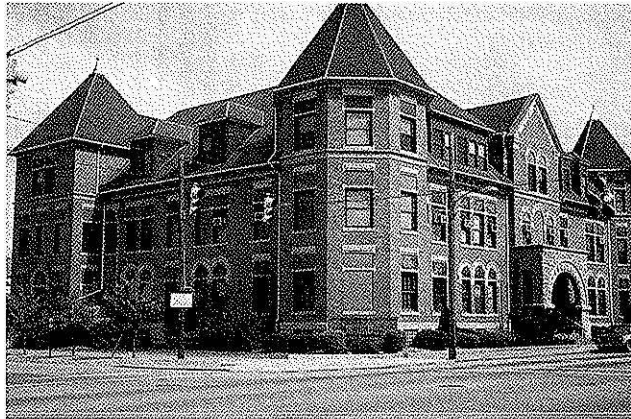
(2) Debt Service represents capital lease payments under GAAP basis accounting.

Source: Lorain County Financial Statements

Lorain County, Ohio Tangible Personal Property Tax Collections



Source: Lorain County Auditor

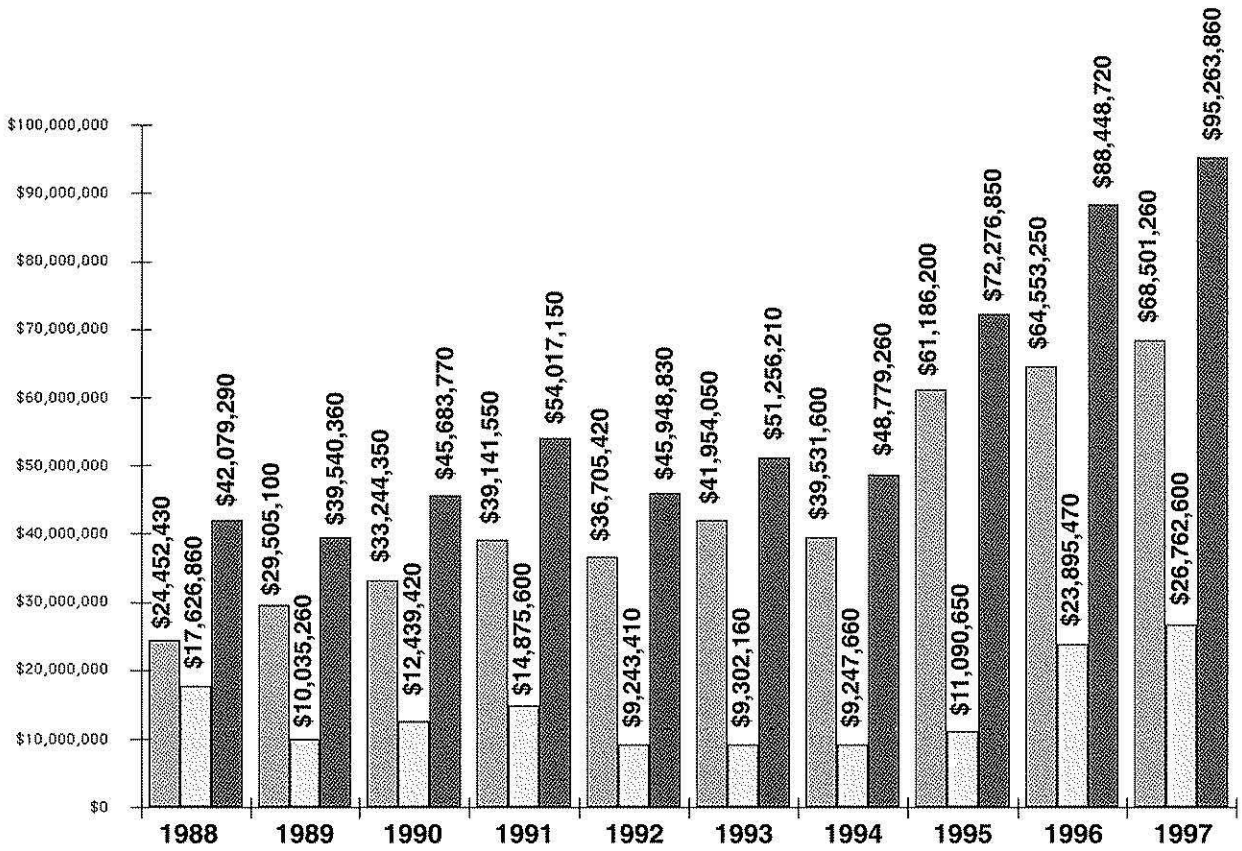


USS/KOBE Steel Company

Lorain County, Ohio

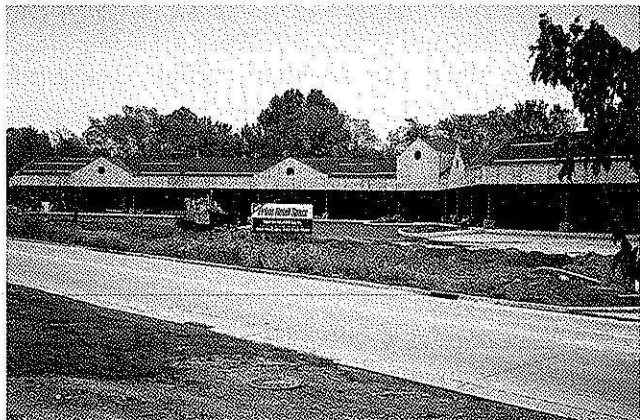
New Construction

Last Ten Years



- Agricultural/Residential
- Commercial/Industrial
- Total New Construction

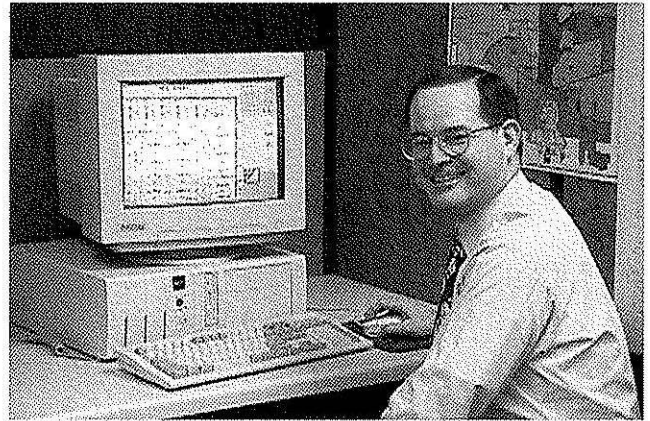
Source: (1) Lorain County Auditor



New Commercial Construction

DEPARTMENT FOCUS

The featured department for this year's PAFR is the Lorain County Auditor's office. It was another busy year for the Lorain County Auditor and his staff. At the end of 1996, the Auditor's office purchased the Oracle Government Financial package. Thousands of staff hours have gone into the planning, designing and training for the new system in 1997. On July 1, 1998 the new financial system went live with the old system being turned off. The application



Auditor Stewart demonstrates the new mapping system.

modules implemented are Government General Ledger, Government Purchasing, Government Payables and Government Receivables. A fixed asset package will be implemented in the future.

It was another busy year in real estate transactions for Lorain County. The transfer department for the County Auditor's office had a record setting year for conveyance fees collected by the department. The transfer department collected \$2,776,429 in fees for 1997 and has averaged over \$2.4 million for the last four years. In this same time period, the transfer department has averaged over 6,200 transactions per year. Due to the tremendous residential and commercial growth in Lorain County in recent years, workload for the office has dramatically increased. The Real Estate department is also working on a new computerized Geographical Information System or mapping system. These computerized maps will provide a base map on which other County offices and political subdivisions will be able to use and build upon.

The Auditor's office added a web site to its list of accomplishments in 1997. The site has numerous links to it that can provide pertinent information to others about Lorain County. Hopefully this will be another source of information the public may access to find out what is taking place in Lorain County Government, as well as the County itself. For those who cannot make the trip to the County Administration building they may visit the web at [HYPERLINK http://www.loraincounty.com/auditor](http://www.loraincounty.com/auditor).

Among its many duties, the Auditor's office is responsible for the issuance of dog tags for the County. In 1997, the Auditor's office issued almost 29,000 tags. To aid in this process, the office purchased and implemented a new computer software program to assist in the tracking and issuance of dog licenses. The office has also implemented a Dog License Renewal form that is mailed to the previous years' registrants in order to make the renewal process a little more convenient. A similar process has been implemented on the real estate side for Homestead applicants.

During Mark Stewart's past four years as Lorain County Auditor, changes have been abundant with several major projects started that will carry the County into the 21st century. As the motto in the Lorain County Auditor's office goes, "the one thing that is constant in this office is change", the citizens of Lorain County can be sure their County Auditor, Mark Stewart, will continue his efforts to look for ways to better serve the constituents of Lorain County.

Lorain County, Ohio Conveyance Comparisons

