

Lorain County



The People's Annual Financial Report

For the Year Ended
December 31, 2002



Mark R. Stewart,
Auditor

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About The Cover

The State of Ohio celebrates its bicentennial in 2003. As part of the festivities, the Ohio Bicentennial Commission started a unique barn painting program as a means of getting free, highly visible advertising to mark this historic occasion. It has developed into a tourist's delight as scores of people travel across the state to view as many of these barns as possible.

In 2002, Artist Scott Hagan completed a five-year mission to paint at least one barn in each of the 88 counties. Each red, white, and blue logo measures about 20 feet by 20 feet, is free hand painted and takes about 18 hours and seven gallons of paint to complete.

This 100-year-old Lorain County barn is owned by Gerald and Janet Eschtruth and is located on State Route 58 in Amherst Township, south of Route 113, four miles north of Route 511.

To the Citizens of Lorain County:

I am pleased to present the Lorain County People's Annual Financial Report (PAFR) for the year ended December 31, 2002. The report provides a brief analysis of Lorain County's revenue sources and where those dollars are spent. The basis for our information comes from our Comprehensive Annual Financial Report (CAFR) that is over 200 pages long. The CAFR contains detailed financial statements, notes, schedules, and reports which was audited by Gary B. Fink and Associates, Inc. and received an unqualified (clean) opinion. This report is a condensed, easy to read version of the CAFR.

The Report is designed to provide an easily understood financial analysis of the County's revenues and expenditures, and some general information about our County's government. As the PAFR is a condensed version of the 2002 Comprehensive Annual Financial Report it does not conform, to Generally Accepted Accounting Principles. In 2002, the County implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This was the single greatest change to financial statement presentation ever issued by the Governmental Accounting Standards Board for governments. The County is proud to have completed such an enormous task that required the cooperation and assistance of numerous County departments and personnel.

The People's Report is presented as a means of increasing public confidence in County government and its elected officials through an easier, more user friendly financial reporting. I thank you for having an interest in the operation of our County Government and taking time to read through this report. As you review it I invite you to share any questions, concerns or recommendations you may have. Do not hesitate to contact my office at (440) 329-5170 with your questions and suggestions for improvements or to obtain further information or review our Comprehensive Annual Financial Report. You may also visit our web site at <http://www.loraincounty.com/auditor>.



County Treasurer Dan Talarek and County Auditor Mark Stewart

Respectfully submitted,

Mark R. Stewart
Lorain County Auditor



County Auditor's Office

General Accounting/Tax Settlement Fiscal Officer

The Lorain County Auditor is the watchdog of County funds. As the County's chief financial officer, it is the Auditor's responsibility to:

- Account for the millions of dollars received by the County each year.
- Issue payments for all County obligations - including the distribution of tax dollars to the townships, villages, cities, school districts, libraries, and other County agencies.
- Administer and distribute tax and license revenues including real estate taxes, personal property taxes, motor vehicle license fees, gasoline taxes, estate taxes, manufactured home taxes, and local government funds.
- Administer the County payroll.
- Produce the County's annual financial report as required by law.

Personal Property Tax

The Auditor's office also administers the state's tangible personal property tax laws. Generally speaking, anyone in business in Ohio is subject to tangible personal property tax on equipment, furniture, fixtures and inventory used in business. The tax is distributed back to the local tax districts like real estate taxes. The Auditor's office handles approximately 11,400 returns a year.

Real Estate Taxes and Rates

The County Auditor cannot raise or lower property taxes. Tax rates are determined by the budgetary requests of each government unit, as authorized by the vote of the people. Rates are computed in strict accordance with procedures required by the Ohio Department of Taxation, Division of Tax Equalization.

Each year, the Auditor prepares the General Tax List. Your tax bill is based on the tax rate multiplied by your valuation on this tax list. This is your proportional share of the cost of operating your local government including schools, townships, villages and the County.

Under Ohio law, the amount of taxation without a vote of the people is limited to 10 mills (\$10 per \$1,000 of assessed valuation). County residents must vote any additional real estate taxes, for any purpose. Your "tax rate" is the total of all these levy and bond issues.



CAFR Team - Lillie Brand and Craig Snodgrass

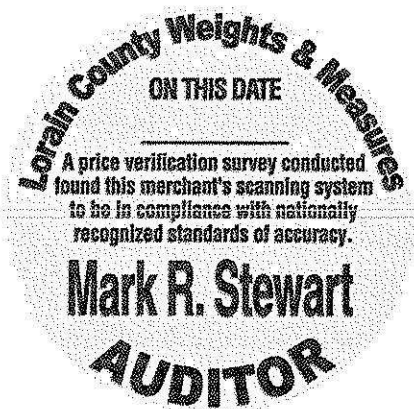
Real Estate Appraisal and Assessment

Lorain County has over 145,600 separate parcels of property. It is the job of the Auditor's office to ensure that every parcel of land and the buildings on it are fairly and uniformly assessed for tax purposes.

A general appraisal is conducted every six years and is updated every three years. The office maintains a detailed record of the appraisal of each parcel in the County. The records are open to the public. For taxation purposes, property owners are assessed at 35 percent of fair market value.

Mobile Home Assessment

The Auditor's office is also charged with assessing taxes on manufactured housing (mobile homes). Under Ohio law, mobile home owners must register their homes with the Auditor's office for tax purposes. The Auditor assesses each manufactured home annually and prepares a tax list. The manufactured home tax is distributed back to the local taxing districts (municipalities, townships and schools) in the same manner as real estate taxes.



Weights and Measures

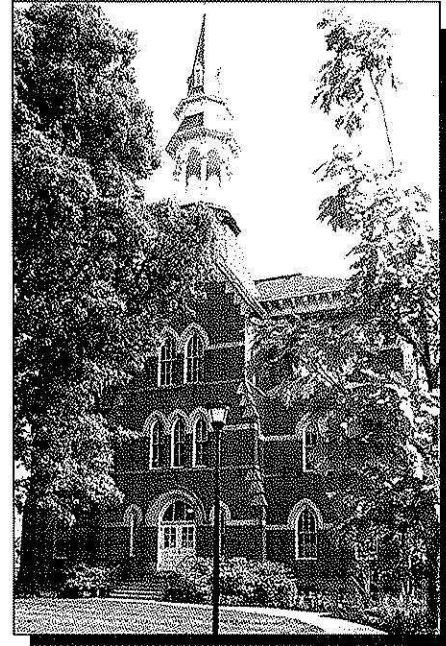
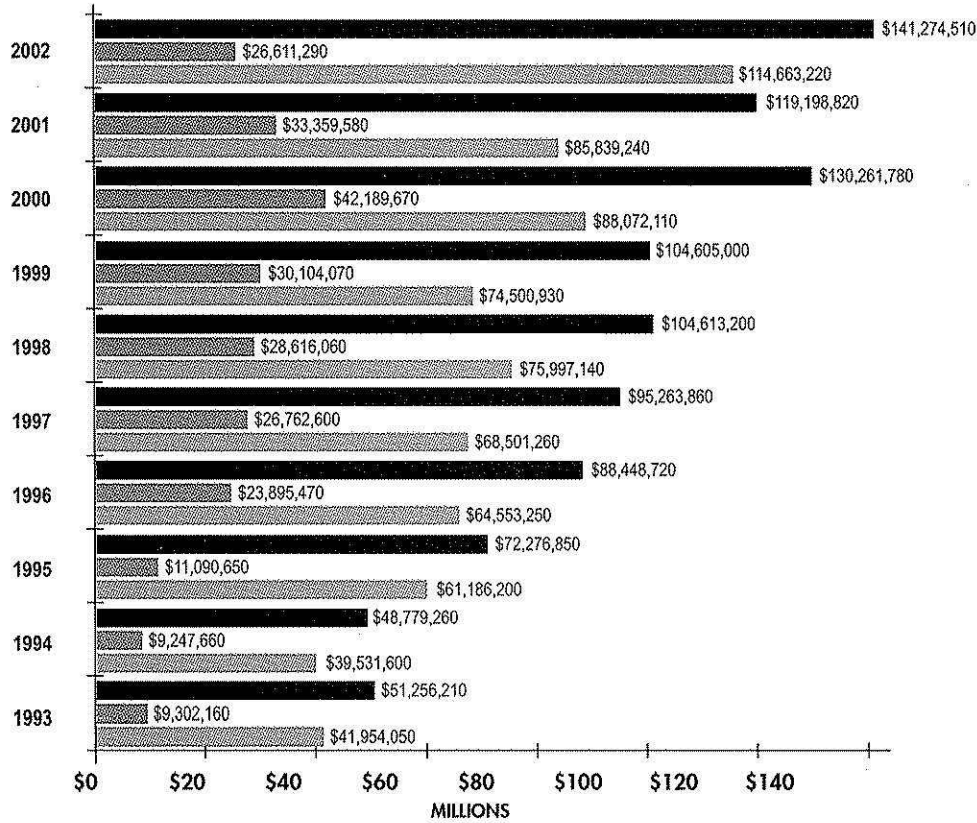
The Lorain County Auditor's Office helps protect County residents and businesses by ensuring that all commercial weighing and measuring devices are accurate. Gas pumps, price scanners, and meat and produce scales are checked regularly. Each year the Auditor's office inspects more than 2300 devices at 280 locations throughout the County.

Licensing

Licenses for dogs, kennels, vendors, and cigarettes are all issued by the Auditor's office. Lorain County annually issues more than 28,000 dog licenses. Vendor licenses authorize businesses to sell tangible property to the public and collect sales tax, a part of which is returned for use on the local level.

Economic Outlook

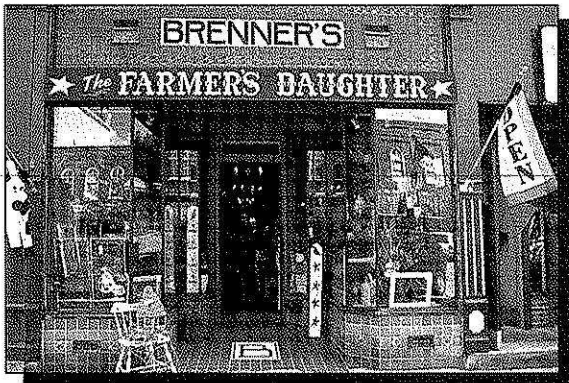
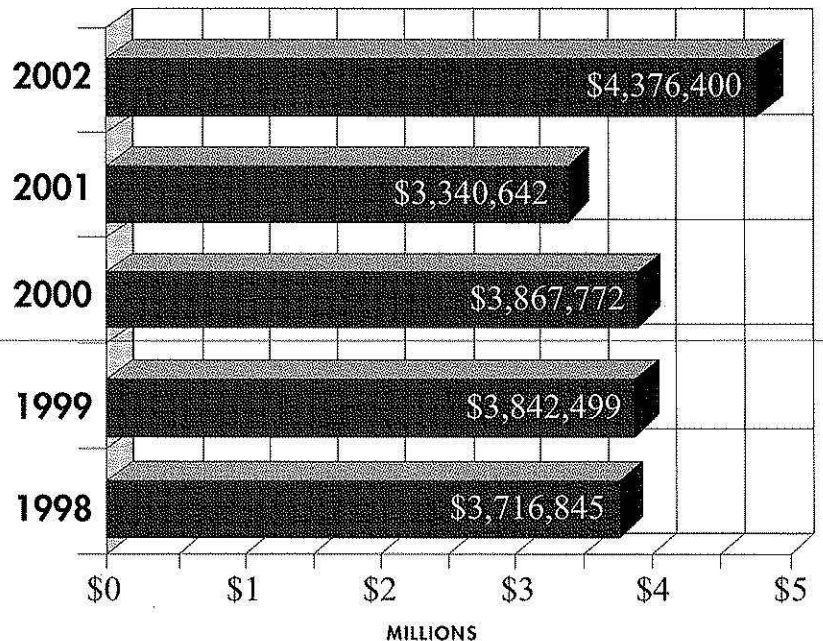
Lorain County New Construction Last Ten Years



Oberlin Nord Center

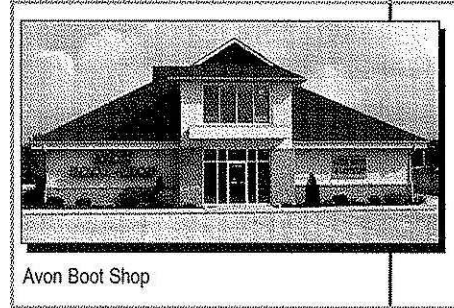
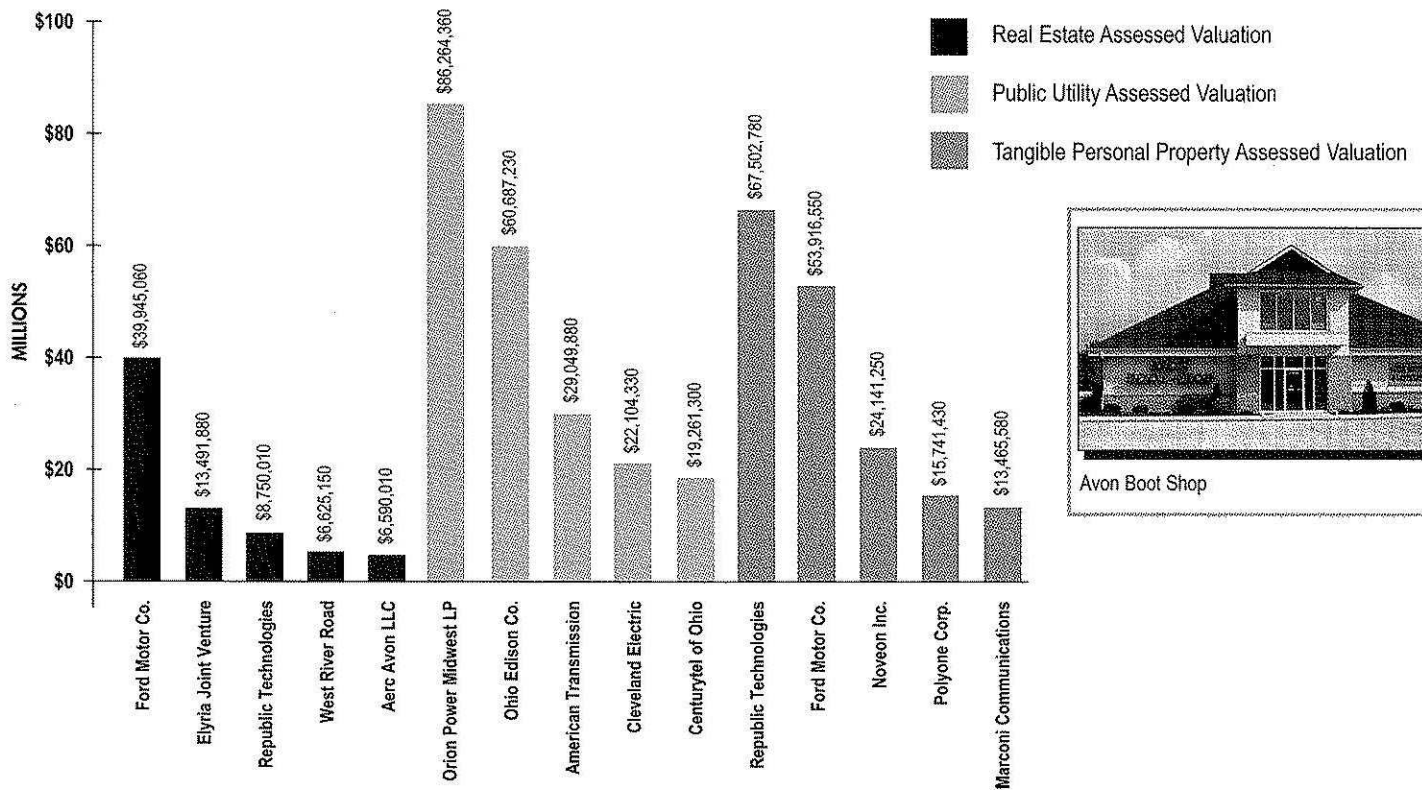
- Total New Construction
- Commercial/Industrial
- Agricultural/Residential

Lorain County Tangible Personal Property Tax (County's Portion) Last Five Years

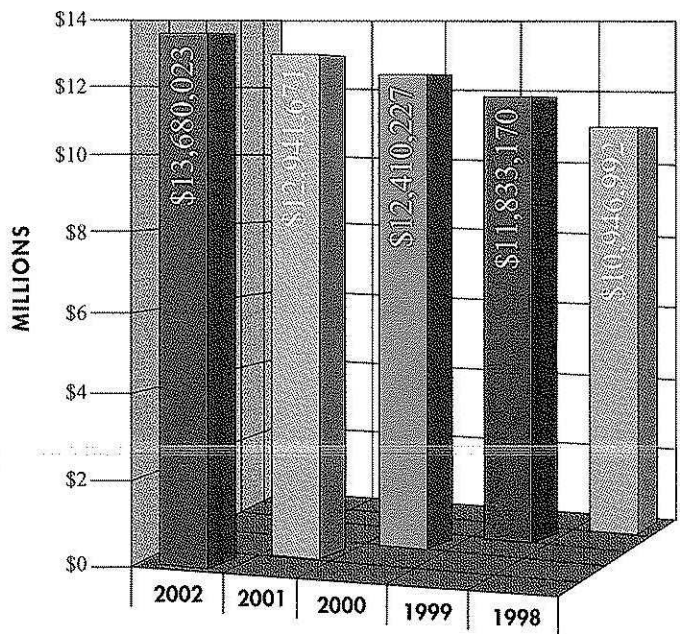


The Farmer's Daughter, Wellington

Lorain County Principal Taxpayers Chart

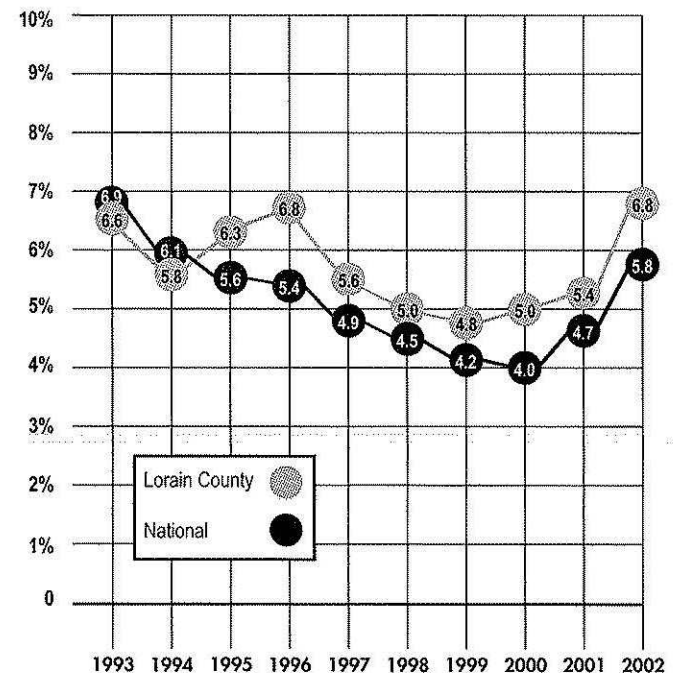


Lorain County Revenues - Sales Tax Last Five Years



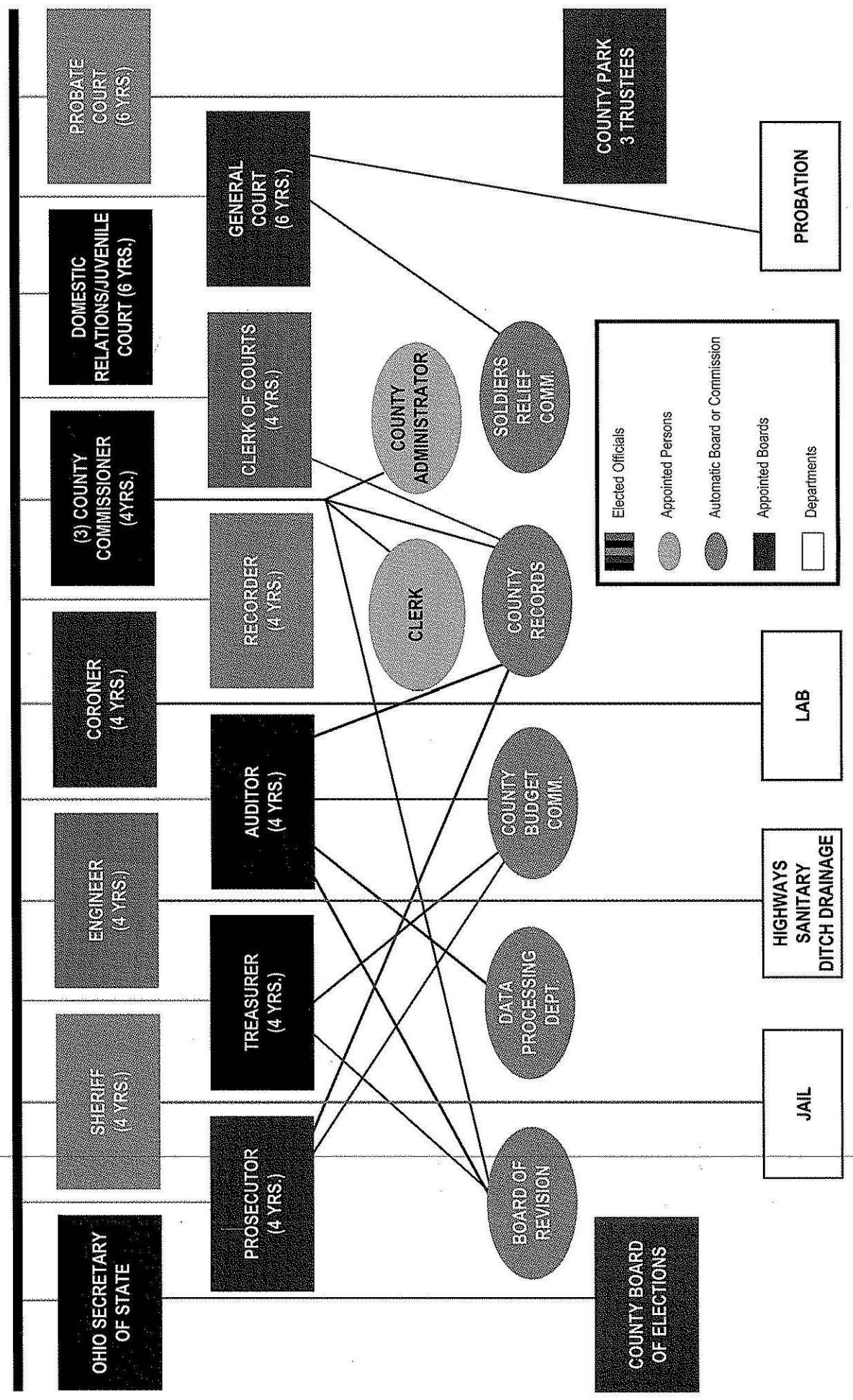
Note: General Fund Only

Lorain County Unemployment Rate Last Ten Years



Lorain County Government Organizational Chart

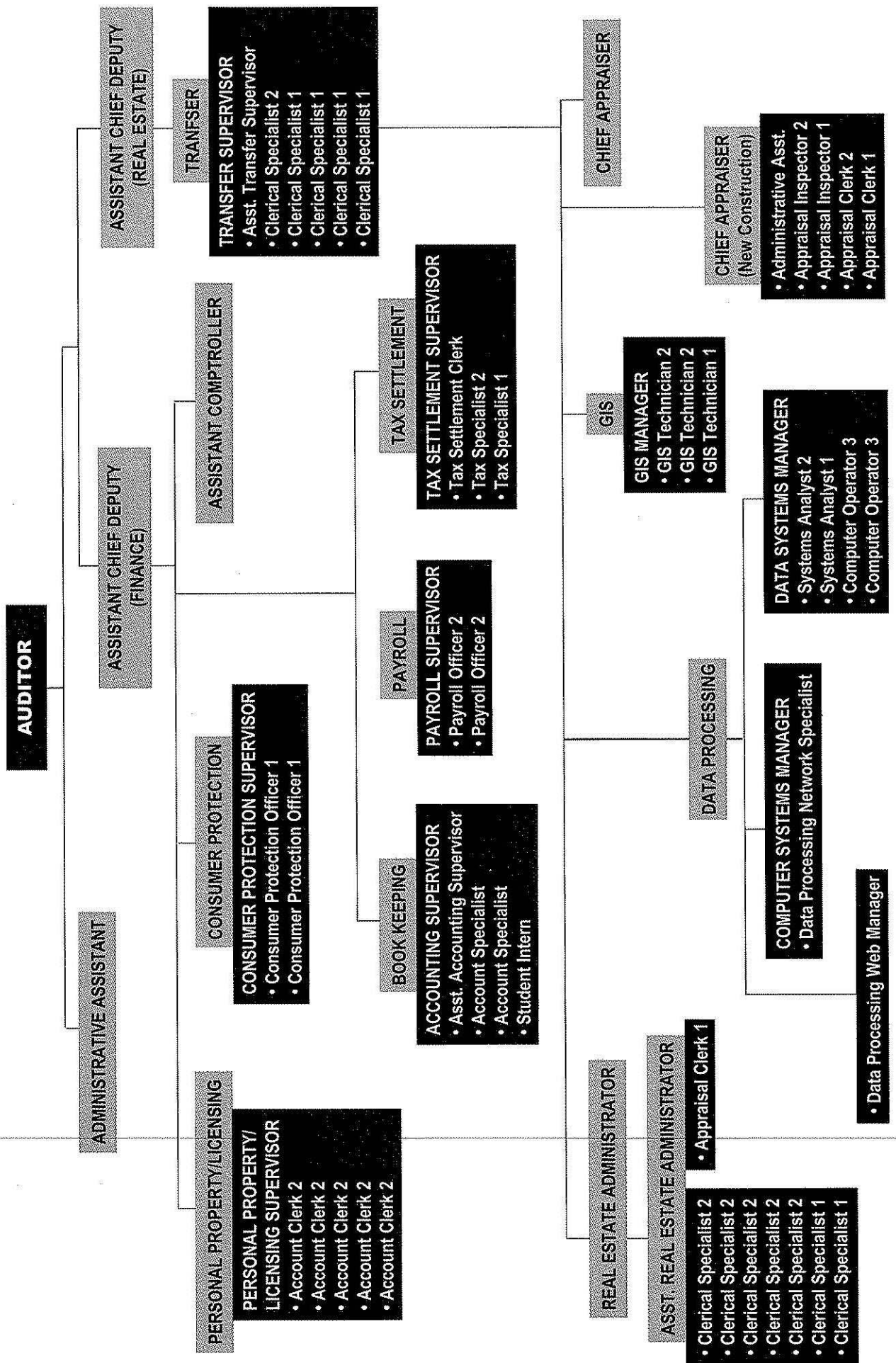
REGISTERED VOTERS



Legend:

- Elected Officials
- Appointed Persons
- Automatic Board or Commission
- Appointed Boards
- Departments

Lorain County Auditor's Organizational Chart



Continued Growth

Major Initiatives

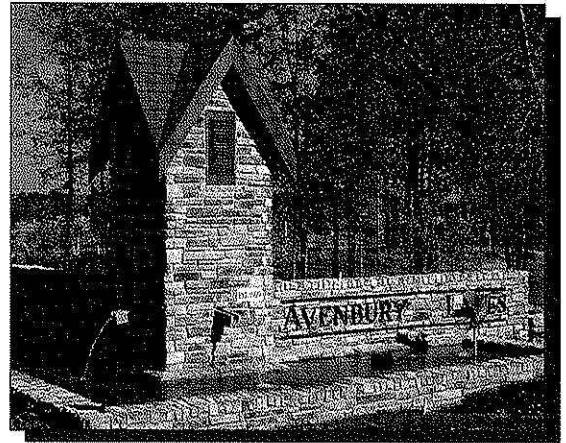
The County completed a number of major construction and renovation projects in 2002 to expand and better serve the citizens of Lorain County. The need to invest in its infrastructure is imperative in order to keep up with the population growth in Lorain County.

The County completed a renovation and expansion project for its 911 and Emergency Management facility. The County expended approximately \$1.1 million in 2002 to finish the project bringing the total cost to \$1.6 million. The project included the addition of 11,724 square feet to the existing structure along with the repaving of the entire 50,000 square foot parking area. Another renovation project started in late 2000 was for the expansion and remodeling of the County Engineers offices and was completed in January 2002. The total cost of this project was approximately \$431,000 and has provided much needed office space along with areas for the road equipment and trucks used in maintaining the County roads.

With much anticipation and fanfare, the County broke ground on May 3, 2002 for the long awaited and needed 228,000 square foot Justice Center. The total estimated costs of the project are \$46 million, which is being paid from cash reserves on hand, and issuance of bonds. The County expended about \$7.5 million in 2002 bringing the to date project costs to \$11.2 million. In April 2002 the County issued General Obligation Justice

Center Bonds in the amount of \$25 million to help finance the project. The seven-story structure is scheduled to be completed in the summer of 2004. The Justice Center is expected to house the offices of the five General Division judges, three Domestic judges, the Probate Court judge, the County Prosecutor and the County Clerk of Court and their respective staffs. These departments are currently located in different building in the County and will bring them under one roof.

The County looks forward to a continuation in growth of its economy. In the rough economic times the State and surrounding counties are experiencing, Lorain County has shown moderate to heavy growth in number of key economic areas such as retail sales and new construction. A project of great proportion is on the horizon that offers great promise and hope that Lorain County will continue this trend. A major construction project is slated to commence in early 2004 by the State Turnpike Commission. This project has been in the making for a number of years and the Turnpike Commission has now acquired a majority of the land and commenced eminent domain actions for the remaining parcels needed to construct a Turnpike Interchange Exit on State Route 58 in Lorain County. The



Avenbury Lakes, Avon

increased flow of traffic and accessibility to this North-South corridor of Lorain County should greatly assist in the economic growth of the area.

Another economic tool the County installed in March of 2001, was the establishment of the Lorain County Port Authority. This was a cooperative effort with the State in which both entities are to provide funding with the County contributing \$1.5 million and the State \$1 million. The mission of the Port Authority is to promote economic development by assisting private industry initiatives; by encouraging development and redevelopment; and by promoting investment in business, industrial and transportation projects. A five-member board has been created to oversee these functions. In 2002, the Authority issued its first series of Bonds on behalf of the Lorain County Visitors Bureau to purchase land and construct a visitor's bureau facility.

Department Focus

The featured department for this year's CAFR and PAFR is a blend of the Lorain County Auditor's Real Estate Division and its partnership with the North Coast Building Industry Association (BIA).

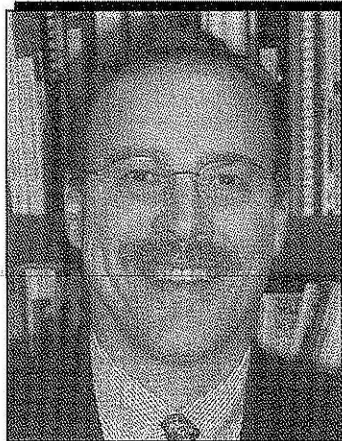
The real estate departments of the Auditor's office and the BIA have many overlapping areas of interest that have resounding effects on both entities. A working relationship of sharing information and data has been developed between the two groups that mutually aid each other in their respective duties in serving the public interests.

In 2002, the transfer department of the Auditor's office handled more than 7,500 transfers generating \$4.4 million in fees for the County General Fund. The Auditor's appraisal personnel which services the more than 140,000 parcels situated in Lorain County reviews and verifies the information it has on file. A comprehensive sales review program has been instituted to check appraisal values of both new and existing home sales. Countless hours are spent gathering and reviewing information, which has become increasingly challenging as Lorain County has experienced an unprecedented building boom the last number of years. It is this work and shared information that has overlapping effects between the Auditor's office and the BIA.

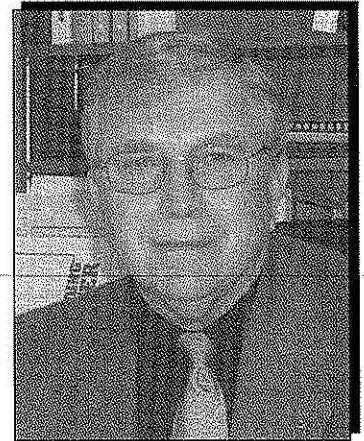
According to Ron Schwachenwald of the BIA, as most of the economy is at idle the housing industry continues to be the engine that is at full steam and running well. Both at the national and local levels we continue to show an aggressive increase through the end of 2002.

Further, he projects that 2003 will be the year for affordable housing, with the majority of starts staying in the range of \$180,000 to \$350,000 in our area. Of interest is a National Association of HomeBuilders survey that indicates that the impact of the stock market decline has had a positive effect on sales of homes priced under \$200,000 during the past year. Forecasters call for growth in the gross domestic product this year. Of the 55 institutions whose economic

projections were used, all revised its growth forecast up, with a gradual plus up in the economy, based on increased defense expenditures and business investment in 2003. If this is correct, 2003 will reflect 3.3% gross domestic product growth in the housing production component of our economy, or estimated 2400 housing starts for Lorain and neighboring Counties. It is this shared information between the Auditor's Real Estate Division and the BIA on housing, building, sales statistics alike that assists each entity in making well informed business decisions. With efficiency and effective management in mind this an example of how the public and private sectors can team up to better serve the public interests.



Terry Bennet
President, BIA



Ron Schwachenwald
Community Relations Director, BIA

Financial Activity Statement

Summary

The Financial Activity Statement, known in accounting terms as the "Income Statement," provides a record of the money received and spent during the year.

Explanations of specific Resources and Services are provided on the following pages.

Lorain County 2002 Financial Activity Statement

Resources Received

Property & Other Taxes	\$43,018,487
Sales Tax *	\$20,506,375
Charges for Services	\$9,181,257
Licenses, Permits & Fees	\$13,029,571
Fines & Foreitures	\$2,160,169
Intergovernmental Revenue	\$98,277,786
Special Assessments	\$357,734
Interest	\$4,237,027
Other	\$2,460,205
Total Resources Received	\$193,228,611

Services Rendered

Legislative and Executive	\$26,943,508
Judicial	\$14,966,170
Public Safety	\$20,292,521
Public Works	\$8,256,648
Health & Human Services	\$113,845,035
Economic Development & Assistance	\$820,124
Capital Outlay	\$13,528,478
Intergovernmental	\$560,915
Debt Service	\$9,179,661
Other	\$189
Total Services Rendered	\$208,393,249

Resources Received Under Services Rendered

(\$15,164,638)

* Does not reflect state's share of sales tax.

Resources Received

Resources received are monies the County receives from a variety of sources in order to pay for the Services it provides.

Taxes are resources that include Property and other taxes, real estate tax, personal property tax and a variety of other smaller taxes.

Sales tax is levied at 5.75% (6.75% for 2003); with the 5% (6% for 2003) earmarked for the State of Ohio, .5% of the sales and use tax is dedicated to the general fund and a .25% of the sales and use tax is for the construction and operation of the county correctional facilities.

Charges for Services are resources from various County departments and agencies for fees paid to them by the public such as court costs and fees for recording deeds and transferring property.

Licenses & Permits are revenues from the selling of vendor licenses, dog licenses and other items.

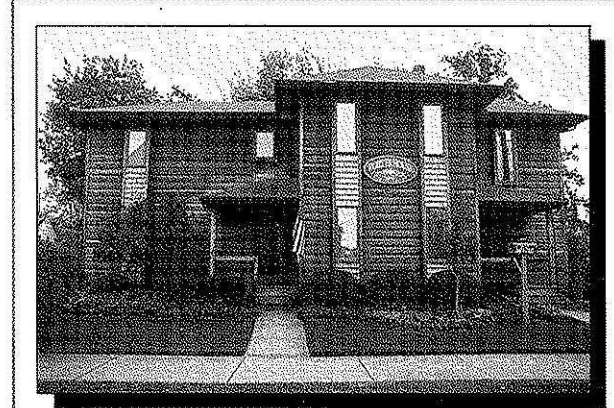
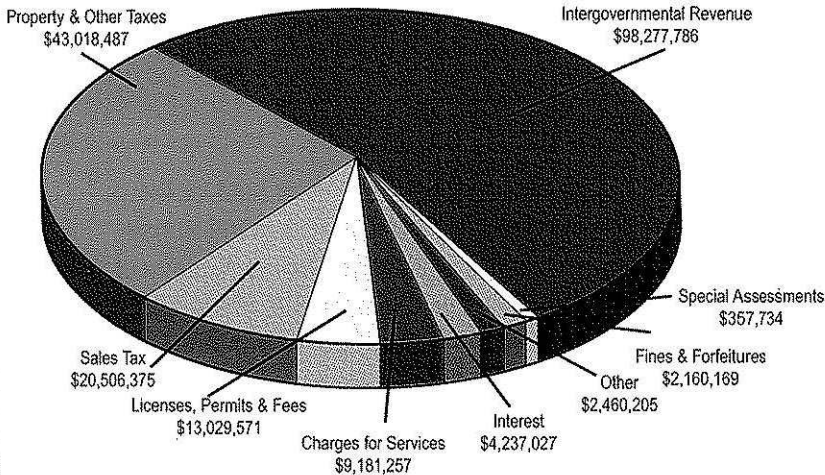
Fines & Forfeitures are the resources derived from fines levied in the Courts and the money received from a variety of forfeitures, including drug arrests and seized property.

Intergovernmental Revenues are resources received from direct grants and funding from the State of Ohio and Federal Government.

Special Assessments are amounts levied on real estate tax bills by the County and other local governments for providing improvements such as ditches, water and sewer service, curbs and lighting.

The County earns interest on various investments made by the Lorain County Treasurer.

Resources Received



Porter House

Services Rendered

Services rendered are the funds spent to provide services to citizens.

Legislative and Executive expenditures are the expenses incurred for administrative offices including the Auditor, Commissioners, Prosecutor, Recorder, and Treasurer.

Judicial expenditures are the costs of administering justice through the Lorain County Courts, which include the Courts of Common Pleas, Juvenile, Domestic Relations, Probate Court and Clerk of Court.

Public Safety expenditures are the costs of the Coroner, Probation, Disaster Services and Sheriff Departments.

Public Works expenditures are the costs incurred to maintain County roads and bridges, along with costs of operating the County water and sewers.

Health Expenditures include services provided by the Board of Mental Retardation/Developmental Disabilities and Lorain County Mental Health Board to maintain public health.

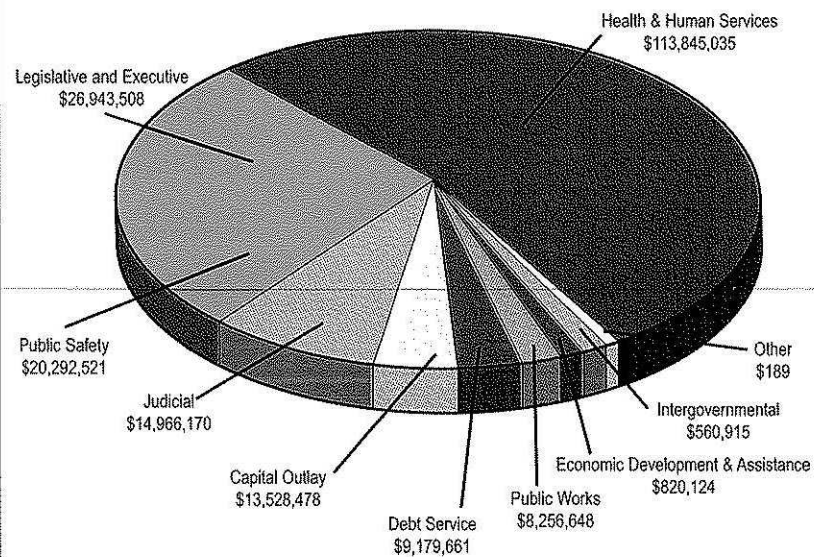
Human Service expenses are the costs of the Job and Family Services Department and Children Services Board.

Economic Development expenses are costs associated with financial assistance in developing community housing and business projects.

Capital Outlay are expenditures for the purchase, acquisition and construction of improvements to County buildings, land, equipment, and vehicles.

Debt Service expenditures are the costs of paying interest and principal on County debt.

Services Rendered



Financial Position Statement

Summary

The Financial Position Statement, known in accounting terms as the "Balance Sheet," provides a picture of the County's Financial Position at the end of the year. Explanations of specific accounts follows:

Lorain County 2002 Financial Position Statement

Financial Benefits

Cash & Cash Equivalents	\$138,316,144
Taxes & Other Receivables	\$85,107,825
Restricted Assets	\$2,524,730
Capital Assets	\$132,481,289
Inventory	\$1,113,601
Prepaid Expenses	\$23,491
Total Financial Benefits	\$359,567,080

Financial Burdens

Accounts & Other Payable	\$13,723,349
Intergovernmental Payable	\$1,001,551
Deferred Revenue	\$1,673,412
Note Payable	\$2,000,000
Due With A Year	\$6,260,874
Due In More Than One Year	\$36,449,693
Total Financial Burdens	\$61,108,879

Benefits Over Burdens **\$298,458,201 ****

Benefits

Cash is the amount of physical cash held by the County in checking accounts and on hand to pay expenses. Investments with an original maturity of three months or less and cash investments of the cash management pool are considered to be cash equivalents.

Receivables are amounts owed to the County which are expected to be paid over the next twelve months. This would include real estate taxes and special assessments.

Restricted Assets are those assets subject to constraints imposed by grants and debt obligations.

Capital Assets represent the water and sewer plants, land, buildings, vehicles, furniture, and equipment that provide an economic benefit of greater than one year.

Inventories of all funds are stated at cost, which is determined on a first in, first out basis and includes expendable supplies held for consumption.

Prepaid expenses include payments made to vendors for services that benefit future periods.

** Figures include Primary Government reporting entities along with its components units (Lorain County Port Authority, Lorain County Transit, Lorain County Regional Airport, and the MRDD Workshop).

Readers of the Condensed Balance Sheet should keep in mind that the statement is presented on a non-GAAP basis, and those desiring to review GAAP basis reports should refer to the County's 2002 Comprehensive Annual Financial Report.

Burdens

Accounts Payable and other includes funds the County owes employees, individuals and companies who supply goods or services and the expected payment is to be made within twelve months.

Intergovernmental Payables includes amounts owed to other governmental agencies and political subdivisions.

Deferred Revenue includes special assessment property taxes and other intergovernmental revenues to be received in subsequent years.

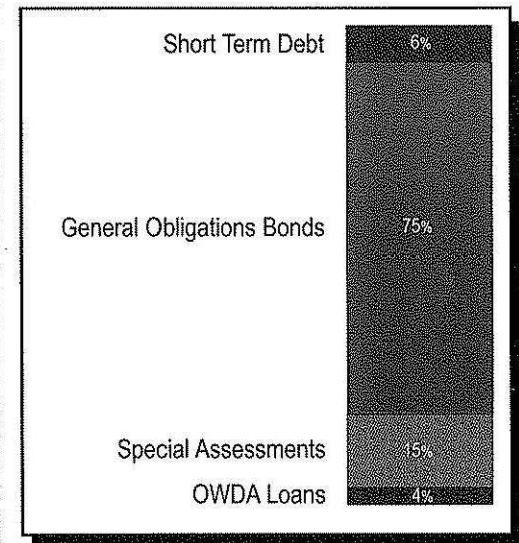
Due within a year represents short-term debt and obligations the County owes that must be repaid or is expected to be paid within one year.

Due in more than one year represents debt such as bonds the County has issued and obligations such as compensated absences expected to be paid off beyond one year.

Benefits over Burdens

This amount represents the difference between the financial benefits of the County and the burdens that it must pay. The amount provides the net worth of the County.

Debt Structure



Lorain County 2002 Summary of Debt Obligations

	Balance as of 01/01/02	Additions	Deletions	Balance as of 12/31/02
Short Term Debt	\$2,228,000	\$2,000,000	\$2,228,000	\$2,000,000
General Obligation Bonds	\$6,540,000	\$25,000,000	\$4,305,000	\$27,235,000
Special Assessment	\$5,737,218	----	\$278,410	\$5,458,808
OWDA Loans	\$1,648,808	----	\$101,793	\$1,547,015
Total	\$16,154,026	\$27,000,000	\$6,913,203	\$36,240,823

Lorain County

Elected Officials

As of December 31, 2002

Board of Commissioners

Elizabeth C. Blair
Mary Jo Vasi
David J. Moore

County Auditor

Mark R. Stewart

County Treasurer

Daniel J. Talarek

Prosecuting Attorney

Gregory A. White

Clerk of Courts

Ron Nabakowski

Coroner

Paul M. Matus

Common Pleas Court Judges

Kosma Glavas
Edward M. Zaleski
Lynett M. McGough
Thomas W. Janas
Mark A. Betleski

Probate Court Judge

Frank J. Horvath

Domestic Relations Judges

David A. Basinski
Paulette Lilly
Debra Boros

Engineer

Kenneth P. Carney

Recorder

Mary Ann Jamison

Sheriff

Phil R. Stammitti