



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF EASTLAKE
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Eastlake
Lake County
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

To the Members of City Council:

We have audited the accompanying general-purpose financial statements of the City of Eastlake, Lake County, Ohio, (the City) as of and for the year ended December 31, 1999 as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Eastlake, Lake County, Ohio, as of December 31, 1999 and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 21, 2000

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CITY OF EASTLAKE
LAKE COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES Expendable Trust and Agency Funds	ACCOUNT GROUPS		
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds			Enterprise Fund	General Fixed Assets	General Long Term Obligations
ASSETS AND OTHER DEBITS:									
ASSETS:									
Cash and Cash Equivalents	\$1,087,488	\$563,296	\$156,168	\$1,256,083	\$165,289	\$471,932	\$ -	\$ -	\$3,700,256
Investments	29,000	-	-	-	-	-	-	-	29,000
Receivables:									
Taxes	2,740,712	328,842	1,600,244	1,674,093	491,942	16	-	-	6,343,891
Accounts	1,924	-	-	-	-	-	-	-	493,882
Special Assessments	-	-	42,645	-	-	-	-	-	42,645
Due from Other Governments	46,988	9,261	-	-	-	-	-	-	56,249
Prepaid Items	18,850	14,208	-	-	45,896	-	-	-	78,954
Restricted Assets:									
Cash with Fiscal Agent	-	-	10,823	-	-	-	-	-	10,823
Inventory of Supplies	37,612	47,976	-	-	2,939	-	-	-	88,527
Fixed Assets (Net of Accumulated Depreciation)	-	-	-	-	2,522,602	-	14,080,488	-	16,603,090
Other Debits:									
Amount Available in Debt Service Funds	-	-	-	-	-	-	-	156,168	156,168
Amount to be Provided for General Long - Term Obligations	-	-	-	-	-	-	-	8,913,439	8,913,439
TOTAL ASSETS & OTHER DEBITS:	<u>\$3,962,574</u>	<u>\$963,563</u>	<u>\$1,809,880</u>	<u>\$2,930,176</u>	<u>\$3,228,668</u>	<u>\$471,948</u>	<u>\$14,080,488</u>	<u>\$9,069,607</u>	<u>\$36,516,924</u>

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF EASTLAKE
LAKE COUNTY
COMBINED BALANCE SHEET(Continued)
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE		FIDUCIARY FUND TYPES		ACCOUNT GROUPS			Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Fund	Trust and Agency Funds	Expendable	General Fixed Assets	General Term Obligations		
LIABILITIES, EQUITY & OTHER CREDITS:											
LIABILITIES:											
Accounts Payable	\$310,252	\$92,403	-	\$65,237	\$46,160	\$14,373	-	\$-	-	-	\$528,425
Accrued Wages and Benefits	233,982	8,885	-	-	11,723	-	-	-	-	-	254,590
Due to Other Governments	194,216	166,690	-	-	13,298	-	-	-	-	-	374,204
Due to Others	-	-	-	-	-	206,548	-	-	-	-	206,548
Deferred Revenue	1,874,198	328,842	1,642,889	1,674,093	-	-	-	-	-	-	5,520,022
Matured Bonds and Interest Payable	-	-	10,823	-	-	-	-	-	-	-	10,823
Compensated Absences Payable	-	-	-	-	28,083	-	-	-	1,081,230	-	1,109,313
Notes Payable	-	-	-	350,000	-	-	-	-	-	-	350,000
General Obligation Bonds	-	-	-	-	-	-	-	-	7,720,000	-	7,720,000
Special Assessment Bonds	-	-	-	-	-	-	-	-	37,000	-	37,000
Capital Leases Payable	-	-	-	-	-	-	-	-	25,538	-	25,538
OWDA Loan Payable	-	-	-	-	-	-	-	-	-	-	-
OPWC Loan Payable	-	-	-	-	-	-	-	-	205,839	-	205,839
TOTAL LIABILITIES:	2,612,648	596,820	1,653,712	2,089,330	99,264	220,921	-	-	9,069,607	-	16,342,302
EQUITY & OTHER CREDITS:											
Investment in General Fixed Assets	-	-	-	-	-	-	-	14,080,488	-	-	14,080,488
Contributed Capital	-	-	-	-	8,100,167	-	-	-	-	-	8,100,167
Retained Earnings - Unreserved	-	-	-	-	(4,970,763)	-	-	-	-	-	(4,970,763)
Fund Balances:											
Reserve for Encumbrances	82,392	23,040	-	46,570	-	-	-	-	-	-	152,002
Reserve for Prepaid Items	18,850	14,208	-	-	-	-	-	-	-	-	33,058
Reserve for Inventory of Supplies	37,612	47,976	-	-	-	-	-	-	-	-	85,588
Unreserved:											
Designated for Debt Service	-	-	156,168	-	-	-	-	-	-	-	156,168
Undesignated	1,211,072	281,539	-	794,276	-	251,027	-	-	-	-	2,537,914
TOTAL EQUITY & OTHER CREDITS:	1,349,926	366,763	156,168	840,846	3,129,404	251,027	-	14,080,488	-	-	20,174,622
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS:	\$3,962,574	\$963,583	\$1,809,880	\$2,930,176	\$3,228,668	\$471,948	-	\$14,080,488	\$9,069,607	-	\$36,516,924

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF EASTLAKE
LAKE COUNTY
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

GOVERNMENTAL FUND TYPES

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds	Totals (Memorandum Only)
REVENUES:						
Property Taxes	\$1,831,618	\$287,607	\$1,016,212	\$1,467,068	\$ -	\$4,602,505
Municipal Income Taxes	7,285,232	-	-	-	-	7,285,232
State Levied Shared Taxes	2,548,224	672,478	74,142	93,265	-	3,388,109
Other Local Taxes	190,558	-	-	-	-	190,558
Intergovernmental Revenues	149,551	48,667	-	414,259	-	612,477
Charges for Services	157,991	-	-	-	28,500	186,491
Licenses and Permits	221,230	-	-	-	-	221,230
Fines and Forfeitures	215,174	19,946	-	-	-	235,120
Special Assessments	-	-	11,715	31,933	-	43,648
Investment Earnings	206,855	952	-	5,897	-	213,704
All Other Revenues	40,918	-	-	-	4,613	45,531
Total Revenues	12,847,351	1,029,650	1,102,069	2,012,422	33,113	17,024,605
EXPENDITURES						
Current:						
Security of Persons and Property	5,694,141	642,520	-	-	-	6,336,661
Public Health and Welfare Services	141,335	-	-	-	-	141,335
Leisure Time Activities	1,656,082	-	-	-	29,056	1,685,138
Community Environment	379,410	-	-	-	-	379,410
Basic Utility Services	628,396	-	-	-	-	628,396
Transportation	1,098,227	579,221	-	-	-	1,677,448
General Government	2,912,486	-	3,026	-	8,492	2,924,004
Capital Outlay	222,533	60,570	-	2,227,094	4,404	2,514,601
Debt Service:						
Principal Retirement	-	-	978,580	24,591	-	1,003,171
Interest and Fiscal Charges	-	-	443,530	20,000	-	463,530
Total Expenditures	12,732,610	1,282,311	1,425,136	2,271,685	41,952	17,753,694
Excess (Deficiency) of Revenues Over Expenditures	114,741	(252,661)	(323,067)	(259,263)	(8,839)	(729,089)
Other Financing Sources (Uses):						
Proceeds of Loans	-	-	-	103,600	-	103,600
Operating Transfers-In	-	274,650	-	70,000	-	344,650
Operating Transfers-Out	(274,650)	-	-	(70,000)	-	(344,650)
Other Financing Sources	19,690	225	229,360	-	75,979	325,254
Other Financing Uses	(2,440)	-	-	-	(100)	(2,540)
Total Other Financing Sources and (Uses)	(257,400)	274,875	229,360	103,600	75,879	426,314
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(142,659)	22,214	(93,707)	(155,663)	67,040	(302,775)
Fund Balance, Beginning of Year	1,477,740	343,786	249,874	996,509	183,987	3,251,896
Increase/(Decrease) in Inventory Reserve	14,845	763	-	-	-	15,608
Fund Balance, End of Year	\$1,349,926	\$366,763	\$156,167	\$840,846	\$251,027	\$2,964,729

The notes to the general purpose financial statements are an integral part of this statement.

CITY OF EASTLAKE, LAKE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP) BUDGETARY BASIS -
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
REVENUES:						
Property Taxes	\$1,901,938	\$1,831,618	(\$70,320)	\$301,478	\$287,607	(\$13,871)
Municipal Income Tax	7,223,000	7,205,795	(17,205)	-	-	-
State Levied Shared Taxes	2,567,000	2,548,224	(18,776)	671,272	672,813	1,541
Other Local Taxes	172,000	154,032	(17,968)	-	-	-
Intergovernmental Revenues	165,000	147,912	(17,088)	52,720	48,667	(4,053)
Charges for Services	175,000	157,723	(17,277)	-	-	-
Licenses & Permits	239,000	221,304	(17,696)	-	-	-
Fines & Forfeitures	234,387	216,232	(18,155)	21,950	19,957	(1,993)
Special Assessments	-	-	-	-	-	-
Investment Earnings	224,000	206,855	(17,145)	975	952	(23)
All Other Revenues	63,000	45,976	(17,024)	-	-	-
Total Revenues	12,964,325	12,735,671	(228,654)	1,048,395	1,029,996	(18,399)
EXPENDITURES:						
Security of Persons and Property	5,880,338	5,652,884	227,454	808,735	653,284	155,451
Public Health and Welfare Services	143,000	141,335	1,665	-	-	-
Leisure Time Activities	1,716,590	1,660,730	55,860	-	-	-
Community Environment	429,373	376,103	53,270	-	-	-
Basic Utility Services	664,640	604,061	60,579	-	-	-
Transportation	1,235,990	1,139,512	96,478	736,950	589,602	147,348
General Government	3,028,055	2,866,980	161,075	-	-	-
Capital Outlay	317,580	253,717	63,863	38,300	37,657	643
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	13,415,566	12,695,322	720,244	1,583,985	1,280,543	303,442
Excess (Deficiency) of Revenues Over Expenditures	(451,241)	40,349	491,590	(535,590)	(250,547)	285,043
OTHER FINANCING SOURCES (USES):						
Proceeds of Notes	-	-	-	-	-	-
Proceeds of Loans	-	-	-	-	-	-
Sale Of Assets	35,000	-	(35,000)	-	-	-
Operating Transfers-In	-	-	-	372,700	274,650	(98,050)
Operating Transfers-(Out)	(274,650)	(274,650)	-	-	-	-
Other Financing Sources	37,000	19,690	(17,310)	75	225	150
Other Financing (Uses)	(2,980)	(2,440)	540	-	-	-
Total Other Financing Sources (Uses)	(205,630)	(257,400)	(51,770)	372,775	274,875	(97,900)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(656,871)	(217,051)	439,820	(162,815)	24,328	187,143
Fund Balance, Beginning of Year	1,242,013	1,242,013	-	504,071	504,071	-
Prior Year Encumbrances	9,134	9,134	-	11,857	11,857	-
Fund Balance, End of Year	\$594,276	\$1,034,096	\$439,820	\$353,113	\$540,256	\$187,143

The notes to the general purpose financial statements are an integral part of this statement.

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$1,065,212	\$1,016,212	(\$49,000)	\$1,521,948	\$1,467,068	(\$54,880)
-	-	-	-	-	-
105,188	74,142	(31,046)	166,889	93,265	(73,624)
-	-	-	-	-	-
-	-	-	414,259	414,259	-
-	-	-	-	-	-
-	-	-	-	-	-
40,000	11,715	(28,285)	-	31,933	31,933
-	-	-	15,000	5,897	(9,103)
-	-	-	-	-	-
<u>1,210,400</u>	<u>1,102,069</u>	<u>(108,331)</u>	<u>2,118,096</u>	<u>2,012,422</u>	<u>(105,674)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,730	11,457	8,273	-	-	-
-	-	-	2,644,259	2,320,882	323,377
977,400	978,579	(1,179)	528,110	524,591	3,519
441,210	443,530	(2,320)	20,000	20,000	0
<u>1,438,340</u>	<u>1,433,566</u>	<u>4,774</u>	<u>3,192,369</u>	<u>2,865,473</u>	<u>326,896</u>
(227,940)	(331,497)	(103,557)	(1,074,273)	(853,051)	221,222
-	-	-	350,000	350,000	-
-	-	-	103,600	103,600	-
-	-	-	-	-	-
-	-	-	150,000	70,000	(80,000)
-	-	-	(70,000)	(70,000)	-
295,000	229,360	(65,640)	-	-	-
-	-	-	-	-	-
<u>295,000</u>	<u>229,360</u>	<u>(65,640)</u>	<u>533,600</u>	<u>453,600</u>	<u>(80,000)</u>
67,060	(102,137)	(169,197)	(540,673)	(399,451)	141,222
258,305	258,305	-	1,608,117	1,608,117	-
-	-	-	847	847	-
<u>\$325,365</u>	<u>\$156,168</u>	<u>(\$169,197)</u>	<u>\$1,068,291</u>	<u>\$1,209,513</u>	<u>\$141,222</u>

EXPENDABLE TRUST FUNDS			TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
-	-	-	\$4,790,576	\$4,602,505	(\$188,071)
-	-	-	7,223,000	7,205,795	(17,205)
-	-	-	3,510,349	3,388,444	(121,905)
-	-	-	172,000	154,032	(17,968)
-	-	-	631,979	610,838	(21,141)
40,000	28,500	(11,500)	215,000	186,223	(28,777)
-	-	-	239,000	221,304	(17,696)
-	-	-	256,337	236,189	(20,148)
-	-	-	40,000	43,648	3,648
-	-	-	239,975	213,704	(26,271)
4,000	4,587	587	67,000	50,563	(16,437)
44,000	33,087	(10,913)	17,385,216	16,913,245	(471,971)
400	-	400	6,689,473	6,306,168	383,305
-	-	-	143,000	141,335	1,665
28,700	28,255	445	1,745,290	1,688,985	56,305
-	-	-	429,373	376,103	53,270
-	-	-	664,640	604,061	60,579
-	-	-	1,972,940	1,729,114	243,826
4,200	2,742	1,458	3,051,985	2,881,179	170,806
4,500	4,404	96	3,004,639	2,616,660	387,979
-	-	-	-	-	-
-	-	-	1,505,510	1,503,170	2,340
-	-	-	461,210	463,530	(2,320)
37,800	35,401	2,399	19,668,060	18,310,305	1,357,755
6,200	(2,314)	(8,514)	(2,282,844)	(1,397,060)	885,784
-	-	-	350,000	350,000	-
-	-	-	103,600	103,600	-
-	-	-	35,000	-	(35,000)
-	-	-	522,700	344,650	(178,050)
-	-	-	(344,650)	(344,650)	-
31,400	75,979	44,579	363,475	325,254	(\$38,221)
(600)	(100)	500	(3,580)	(2,540)	1,040
30,800	75,879	45,079	1,026,545	776,314	(250,231)
37,000	73,565	36,565	(1,256,299)	(620,746)	635,553
183,897	183,897	-	3,796,403	3,796,403	-
23	23	-	21,861	21,861	-
<u>\$220,920</u>	<u>\$257,485</u>	<u>\$36,565</u>	<u>\$2,561,965</u>	<u>\$3,197,518</u>	<u>\$635,553</u>

CITY OF EASTLAKE
LAKE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>ENTERPRISE FUND</u>
OPERATING REVENUES:	
Charges for Services	<u>\$1,401,985</u>
OPERATING EXPENSES:	
Personal Services	625,080
Contractual Services	777,407
Materials and Supplies	53,596
Utilities	28,867
Depreciation	189,475
Other Operating Expense	<u>67,608</u>
Total Operating Expenses	<u>1,742,033</u>
OPERATING (LOSS)	<u><u>(\$340,048)</u></u>
DEFICIT RETAINED EARNINGS AT BEGINNING OF YEAR	<u>(4,630,715)</u>
DEFICIT RETAINED EARNINGS AT END OF YEAR	<u><u>(\$4,970,763)</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF EASTLAKE
LAKE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>ENTERPRISE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$1,432,985
Cash Payments to Suppliers for Goods and Services	(916,393)
Cash Payments to Employees for Services	<u>(625,668)</u>
Net Cash Provided by Operating Activities	<u><u>(\$109,076)</u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net Book Value of Fixed Asset Disposals	9,518
Purchase of Fixed Assets	(92,487)
Contributed Capital	<u>62,884</u>
Net Cash Used for Capital and Related Financing Activities	<u>(20,085)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(129,161)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>294,450</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$165,289</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME (LOSS)	(340,048)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Depreciation Expense	189,475
Decrease In Accounts Receivable	31,000
Decrease In Supplies Inventory	708
Increase In Prepaid Items	(4,731)
Increase In Accounts Payable	15,108
Increase In Accrued Wages	546
Increase In Compensated Absences Payable	259
Decrease In Due To Other Governments	<u>(1,393)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>(\$109,076)</u></u>

The notes to the financial statements are an integral part of this statement.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

Reporting Entity

The City of Eastlake, Ohio (the City) is a home-rule municipal corporation created under the laws of the State of Ohio. The current Charter, which provides for a Council-Mayor form of government, was adopted on November 3, 1953, and has subsequently been amended.

The accompanying general purpose financial statements comply with the provisions of the Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", in that the financial statements include all organizations, activities and functions for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the City's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to or impose a financial burden on the City. Based on the foregoing, the reporting entity of the City includes the following services: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and maintains the wastewater collection system (sewer lines) which is reported as an enterprise fund. Wastewater treatment services are provided by the City of Willoughby, which owns and operates the wastewater treatment facilities. The Lake County Department of Utilities is responsible for supplying all water to the City of Eastlake and for billing both water and sewerage services. The reporting entity of the City does not include any component units.

Based on the foregoing criteria, the following separate legal organizations are not part of the City of Eastlake reporting entity. The City has no ability to significantly influence operations and no financial accountability for these organizations and therefore, they are excluded from the City's financial statements: Willoughby-Eastlake City School District and Willoughby-Eastlake Public Library.

The following entity is a related organization to the City of Eastlake but the City's accountability does not extend beyond appointing board members:

Eastlake Port Authority - Created under the Ohio Revised Code, the Eastlake Port Authority conducts port development and operations. The seven member Board of Directors consists of five appointed by the Mayor and two appointed by the Eastlake City Council.

The City participates in a Shared Risk Pool. This organization is the Northern Ohio Risk Management Association(NORMA). This organization is presented in Note 17.

Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - This fund is the operating fund of the City and is used to account for all financial resources except those 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.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal and interest other than that accounted for in the proprietary fund.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund).

Proprietary Fund - The proprietary fund is used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type.

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's fiduciary funds include expendable trust funds and agency funds. Expendable trust funds are accounted for and reported in essentially the same manner as governmental funds. Agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all general fixed assets of the City, other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group - This group of accounts is established to account for all unmatured long-term indebtedness of the City that is not a specific liability of the proprietary fund.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

Basis of Accounting and Measurement Focus

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earning components. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The modified accrual basis of accounting is followed by the governmental funds, expendable trust funds and agency funds. Under this basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be the last day of February after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline tax and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 1999 and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control for each fund is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available, as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council.

The budgetary figures appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual (Non-GAAP Budgetary Basis). All Governmental Fund Types are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying general purpose financial statements.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues are recorded when received in cash and expenditures are recorded when paid or encumbered. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Basis of Accounting (Continued)

Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ (142,659)	\$ 22,214	\$ (93,706)	\$ (155,663)
Increase (Decrease):				
Accrued revenues at December 31, 1999, received during 2000	(915,426)	(9,261)	0	0
Accrued revenues at December 31, 1998, received during 1999	803,746	9,607	0	0
Accrued expenditures at December 31, 1999, received during 2000	738,450	267,978	0	65,237
Accrued expenditures at December 31, 1999, received during 2000	(642,149)	(229,233)	(8,431)	(112,455)
Proceeds of Notes	0	0	0	350,000
Note Retirement	0	0	0	(500,000)
1998 Prepays for 1999	42,229	271	0	0
1999 Prepays for 2000	(18,850)	(14,208)	0	0
1999 Outstanding Encumbrances	(82,392)	(23,040)	0	(46,570)
Budget Basis	<u>\$ (217,051)</u>	<u>\$ 24,328</u>	<u>\$ (102,137)</u>	<u>\$ (399,451)</u>

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio) and repurchase agreements. The repurchase agreements and STAR Ohio are considered cash equivalents because they are highly liquid investments with maturity dates of three months or less.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled certificates of deposit, STAR Ohio and repurchase agreements to be cash equivalents.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. Investments are stated at cost, which approximates market value. The City allocates interest among the various funds based upon applicable legal and administrative requirements. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 4 "Deposits and Investments". The City allocates all interest on pooled investments to the General Fund. Interest on investments held by specific funds is credited to the specific fund.

The City has invested funds in the STAR Ohio during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 1999.

Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in the Governmental and Expendable Trust Funds when purchased, and expenses in the Proprietary Fund when used.

Fixed Assets and Depreciation

The accounting and reporting treatment applied to a fixed asset is determined by its ultimate use. General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Infrastructure fixed assets such as roads, bridges, streets and drainage systems are not capitalized by the City and are not reported as part of the General Fixed Assets Account Group.

The fixed asset values were initially determined at December 31, 1987, by assigning original acquisition costs when such information was available. In cases where information supporting original cost was not practicable, estimated historical costs were developed. For certain fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value at the date donated.

Fixed assets utilized in the proprietary fund are capitalized in the fund. The valuation basis for the proprietary fund fixed assets is the same as those used in the general fixed assets account group.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Fixed Assets and Depreciation(Continued)

Depreciation for the Proprietary Fund fixed assets is determined by allocating the cost of fixed assets over the estimated useful lives of the assets on the straight-line basis. The estimated useful lives are as follows:

<u>Description</u>	<u>Estimated Lives</u> <u>(Years)</u>
Buildings	40
Machinery & Equipment	15
Sewer Lines	50

Contributed Capital

Contributed capital represents donations by developers, assets utilized by the enterprise operation which were obtained through non-proprietary funds of the City, and assets whose construction was financed by special assessments. These assets are recorded at their fair market value at the date contributed and are not subject to repayment.

It has been the policy of the City to construct and acquire capital assets used in the operation of the enterprise fund (sewer fund), with resources of the capital projects funds, by special assessment bonds or through donations by developers. Therefore, the enterprise infrastructure (sewer lines) of the City are recorded as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary fund are classified as retained earnings.

Compensated Absences

The City reports compensated absences in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned, if the employee's right to receive compensation are attributable to service already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

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

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other transfers are reported as operating transfers.

Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items and encumbered amounts that are not accrued at year end.

Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY COMPLIANCE

As of December 31, 1999 the Debt Service Fund - Principal Retirement and Interest and Fiscal Charges had expenditures that exceeded appropriations contrary to Section 5705.41(B), Ohio Revised Code, in the amount of \$1,179 and 2,320 respectively.

NOTE 4 - 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.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not 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 moneys. Interim moneys are those moneys which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds 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 (STAR Ohio).

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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments, (including Repurchase Agreements) and Reverse Repurchase Agreements" requires disclosure to help assess actual and potential future deposit and investment market and credit risk. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent, but not in the City's name.

STAR Ohio is unclassified investments since it is not evidenced by securities that exist in physical or book entry form.

Deposits

At year-end, the carrying amount of the City's deposits was \$639,216 (including \$1,300 in petty cash), and the bank balance was \$663,220. Of the bank balance, \$209,348 was covered by federal depository insurance and \$453,872 was uninsured and uncollateralized. Although the pledging banks have investment and securities pools used to collateralize all public deposits which are held in the financial institution's name, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

	Category 1	Category 3	Carrying Amount
Breakwall Imp. Bonds	\$ 29,000	\$ -	\$ 29,000
Repurchase Agreements Repo #1		195,398	195,398
Investments	\$ 29,000	\$ 195,398	\$ 224,398
 <u>Non-Categorized Investments:</u>			
State Treasurer's Asset Reserve (STAR Ohio)			2,876,465
Total Non-Categorized Investments			2,876,465
Total Investments	\$ 29,000	\$ 195,398	\$ 3,100,863

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

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

	<u>Cash and Cash Equivalents</u>	<u>Investment</u>
GASB Statement No. 9	\$ 3,711,079	\$ 29,000
Investments:		
Repurchase Agreements	(195,398)	195,398
STAR Ohio	<u>(2,876,465)</u>	<u>2,876,465</u>
Per GASB Statement No. 3	<u>\$ 639,216</u>	<u>\$ 3,100,863</u>

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE - FUND DEFICITS

There were fund deficits at December 31, 1999 in the Police Pension Fund of \$89,706 and in the Fire Pension Fund of \$53,454. Also, there was a fund deficit in the Sanitary Sewer Fund of \$4,970,763 which arose from the recognition of expenditures on the full accrual basis, which is greater than expenditures recognized on the budgetary basis. The General Fund provides operating transfers when cash is required, not when accruals occur.

NOTE 6 - TAXES

Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, the lien date. Assessed values for real property are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years. The last revaluation was completed in 1998. Real property taxes are payable annually or semi-annually. The first payment is due January 20th, with the remainder payable by July 20th.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 88 percent of its true value. With probable deregulation, this public utility assessment percentage may change to 25 percent of true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Eastlake. The County Auditor periodically remits to the City its portion of the taxes collected.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 6 - TAXES (Continued)

Property Taxes (Continued)

The full tax rate for all City operations for the year ended December 31, 1999, was \$10.8 per \$1,000 of assessed value. The assessed value upon which the 1998 levy was based was \$522,754,443. This amount constitutes \$295,598,080 in real property assessed value, \$179,629,020 in public utility assessed value and \$47,527,343 in tangible personal property assessed value.

Income Tax

The City levies a tax of 2% on all salaries, wages, commissions and other compensation and on net profits earned within the City, as well as on the incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 7 - OPERATING TRANSFERS

The following is a summary of operating transfers for all funds for 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 274,650
Special Revenue Funds		
Federal Grants Fund	10,700	
Police Pension Fund	207,550	
Fire Pension Fund	<u>56,400</u>	
Total Special Revenue Funds	274,650	
Capital Projects Funds:		
Fire Levy Fund	70,000	
Capital Projects	<u>70,000</u>	<u>70,000</u>
Total Capital Projects Funds:	<u>70,000</u>	<u>70,000</u>
Total All Funds	<u>\$ 344,650</u>	<u>\$ 344,650</u>

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTES 8 - RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, accounts receivable, special assessments and intergovernmental receivables arising from grants and shared revenues. All receivables are considered fully collectible.

NOTE 9 - FIXED ASSETS

The following is a summary of changes in General Fixed Assets:

	Balance 1/1/99	Additions	Deductions	Balance 12/31/99
Land	\$ 522,015	\$ 0	\$ 600	\$ 521,415
Buildings and Improvements	8,266,005	138,556	0	8,404,561
Machinery and Equipment	4,606,842	704,814	157,144	5,154,512
Total	<u>\$ 13,394,862</u>	<u>\$ 843,370</u>	<u>\$ 157,744</u>	<u>\$ 14,080,488</u>

Schedule of General Fixed Assets at December 31, 1999:

<u>General Fixed Assets</u>		<u>Investment in General Fixed Assets</u>	
Land	\$ 521,415	General Fund	\$ 4,386,490
Buildings and Improvements	8,404,561	Special Revenue Fund	3,930,954
Machinery and Equipment	5,154,512	Capital Projects Fund	5,763,044
Total	<u>\$ 14,080,488</u>		<u>\$ 14,080,488</u>

The following is a summary of changes in Proprietary Fund Fixed Assets at December 31, 1999:

	Historical Cost	Accumulated Depreciation	Book Value
Land	\$ 92,676	\$ 0	\$ 92,676
Building	768,000	(707,862)	60,138
Utility Structures in Service	8,065,542	(5,829,586)	2,235,956
Machinery and Equipment	330,146	(196,314)	133,832
Totals	<u>\$ 9,256,364</u>	<u>\$ (6,733,762)</u>	<u>\$ 2,522,602</u>

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS

All of the City's full time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the PERS of Ohio)

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, "Accounting of Pensions by State and Local Government Employers."

All employers of the City, except full time uniformed police officers and full time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interest parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is set at 8.5%, but under authority of labor union agreements with the City from January 1, 1998 to December 31, 2000, the City picks up an additional 1% of the employee's contribution for all PERS employees, decreasing the employee rate to 7.5%. This agreement was approved by the Public Employees Retirement Board. The 1999 employer contribution rate for local government employer units in Ohio was set at 13.55% of covered payroll, but with the additional 1% picked up by the City, Eastlake's rate increased to 14.55% of covered payroll. From this employer contribution total, 4.2% funded health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 1999, 1998 and 1997 were \$681,130, \$589,874 and \$555,320, respectively, which were equal to the required contributions for each year. Seventy-two (72) percent has been contributed for 1999, with the remainder being reported as a fund liability.

In addition to the pension benefit obligation described above, the PERS of Ohio provides post employment health care benefits to age and service retirees with ten or more years of qualifying service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post employment health care through their contributions to the PERS of Ohio. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was 4.2% of covered payroll, which amounted to \$211,127.

Other Post Employment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for other post employment benefits during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS(Continued)

A. Public Employees Retirement System (the PERS of Ohio) (Continued)

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Ohio Police and Fire Pension Fund (the "OP&F Fund")

All City full time police officers and full time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. Under terms of labor union agreements with the City from January 1, 1998 to December 31, 2000, the City picks up an additional 1% of contributions made by police and firefighters. Contributions from safety force employees thus decreased to 9%. This agreement was approved by the Ohio Police and Fire Pension Fund Board. The City's contributions to the OP&F Fund for the years ending December 31, 1999, 1998 and 1997 were \$350,012, \$348,908 and \$324,816 for police and \$188,267, \$249,990 and \$224,219 for firefighters, respectively, which were equal to the required contributions for each year. Seventy-four (74) percent has been contributed for 1999, with the remainder being reported as a fund liability.

The OP&F Fund provides post employment health care coverage to any person who received or is eligible to receive a monthly 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 on a full time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide post employment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 1999 covered payroll that was used to fund post employment health care benefits was \$125,645 representing 7% of covered payroll for police and \$54,911 representing 7% of covered payroll for fire. Health care funding and accounting were on a pay-as-you-go basis. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 1998, the date of the last actuarial available, the number of participants eligible to receive health care benefits was 11,424 for police and 9,186 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of post employment health care benefits. The Fund's total health care expenses for the year ended December 31, 1998 were \$78,596,790, which was net of member contributions of \$5,331,515.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 11 - COMPENSATED ABSENCES

Accumulated Vacation

City employees earn vacation at varying rates based upon length of service. Vacation is earned in one year and must be used in the next two (2) years. In the case of death or retirement, an employee (or his estate) is paid for unused vacation leave and the prorated amount of vacation leave earned during the current year. At December 31, 1999, the total obligation for vacation accrual for the City as a whole amounted to \$396,197.

Accumulated Sick Leave

Sick leave is earned at the rate of four and six-tenths hours for every eighty (80) hours of pay, excluding overtime; and uniformed firefighters earn sick leave at the rate of one-tenth hours per one hundred four (104) hours of pay, excluding overtime. Each employee with the City is paid for fifty percent (50%), or a maximum of four hundred eighty (480) hours or six hundred seventy-two (672) hours for firefighters, of the employee's unused sick leave upon retirement from the City. At December 31, 1999, the total obligation for sick leave accrual for the City as a whole amounted to \$713,116.

NOTE 12 - CAPITAL LEASES

The City leases five (5) copiers and one (1) vehicle, under capital leases. Capital lease obligations recorded in the general long-term debt account group relate to items leased under a long-term agreement which meets the criteria of a capital lease, as defined by Financial Accounting Standards Board Statement No. 13 "Accounting for Leases", and have been recorded in the general long-term debt account group. The agreements provide for minimum annual rental payments as follows:

<u>Year</u>	<u>Total</u>
2000	\$ 14,151
2001	11,387
	<hr/>
Total minimum lease payments	25,538
Less: Amount representing interest	-0-
	<hr/>
Present value of net minimum lease payments	<u>\$ 25,538</u>

The leases have been capitalized in the general fixed assets account group.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 13 - NOTE DEBT

The City's note activity for the year ended December 31, 1999 is as follows:

	Balance 12/31/98	Additions	Reductions	Outstanding 12/31/99
Capital Projects Funds:				
4% Fire Station Improvements	\$ 200,000	\$ 0	\$ 200,000	\$ 0
4% Fire Pumper	300,000	0	300,000	0
4.5% Fire Station Improvements	0	100,000	0	100,000
4.5% Fire Pumper	0	250,000	0	250,000
Total Notes	<u>\$ 500,000</u>	<u>\$ 350,000</u>	<u>\$ 500,000</u>	<u>\$ 350,000</u>

All notes are backed by the full faith and credit of the City of Eastlake and mature within one year. The note liability is reflected in the fund which received the proceeds. The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

NOTE 14 - LONG-TERM OBLIGATIONS

Activity in the General Long-Term Obligations Account Group in 1999 was as follows:

	Balance 12/31/98	Additions	Reductions	Outstanding 12/31/99
General Obligations Bonds Payable:				
1981 Watermain Imp.	\$ 150,000	\$ 0	\$ 50,000	\$ 100,000
1993 Street Imp.	210,000	0	105,000	105,000
1993 City Hall Construction	3,410,000	0	110,000	3,300,000
1993 Various	4,120,000	0	510,000	3,610,000
1993 Various	740,000	0	135,000	605,000
Total General Obligation Bonds	<u>\$ 8,630,000</u>	<u>\$ 0</u>	<u>\$ 910,000</u>	<u>\$ 7,720,000</u>
Special Assessment Bonds Payable:				
1981 Paxton Road Imp.	\$ 12,000	\$ 0	\$ 4,000	\$ 8,000
1993 Breakwall Imp.	43,000	0	14,000	29,000
Total Special Assessment Bonds	<u>\$ 55,000</u>	<u>\$ 0</u>	<u>\$ 18,000</u>	<u>\$ 37,000</u>

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

	Balance 12/31/98	Additions	Reductions	Outstanding 12/31/99
OWDA Loan				
1975 Sewer Imp.	\$ 50,580	\$ 0	\$ 50,580	\$ 0
OPWC Loans				
1995 Sewer Imp.	126,831	0	21,139	105,692
2000 E. 337 th Road Imp.	0	103,600	3,453	100,147
<u>Other Long-Term Obligations</u>				
Compensated Absences	934,429	146,801	0	1,081,230
Capital Leases	56,508		30,970	25,538
Total General Long-Term Debt	<u>\$ 9,853,348</u>	<u>\$ 250,401</u>	<u>\$ 1,034,142</u>	<u>\$ 9,069,607</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999 are as follows:

Year ending December 31:	General Obligation Bonds	Special Assessment Bonds	OPWC Loans	Capital Leases
2000-2002	\$ 3,737,845	\$ 32,128	\$ 80,682	\$ 34,162
2003-2007	3,768,380	12,125	76,810	13,654
2008-2012	1,466,600	0	34,533	0
2013-2017	1,473,680	0	13,813	0
Total	<u>\$ 10,446,505</u>	<u>\$ 44,253</u>	<u>\$ 205,838</u>	<u>\$ 47,816</u>

General obligation bonds will be paid from property taxes collected in the general bond retirement debt service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The OPWC loans will be paid by revenues from the Capital Projects fund.

The capital lease obligations will be paid from the general fund. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 15 - PRIOR YEAR DEFEASANCE OF DEBT

In 1993, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The defeased bonds initially amounted to \$4,980,000 and included 1987 Sewerage System Improvement Bonds as well as 1988 Various Purpose General Obligation Bonds. On December 1, 1997, the 1987 series bonds were redeemed in the principal amount of \$4,280,000. On December 1, 1998, the remaining \$700,000 of 1988 series bonds outstanding were redeemed. As of January 1, 1999, all defeased bonds had been redeemed.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUND

Included in the services provided by the City, which are financed primarily by user charges, is wastewater collection. The key financial information for the year ended December 31, 1999 for this enterprise activity is as follows:

Operating revenues	\$	1,401,985
Depreciation		189,475
Operating loss		(340,048)
Assets		3,228,668
Net working capital		634,885
Additions to fixed assets		92,487
Compensated absences		28,083
Total equity	\$	3,129,404

NOTE 17 - SHARED RISK POOL

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid and, Chagrin Falls Village. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of Cities of Eastlake and Solon, whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$147,500 per occurrence, will come from the self-insurance pool, with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

City of Eastlake, Ohio
Notes to the General Purpose Financial Statements
For Year The Ended December 31, 1999

(Continued)

NOTE 17 - SHARED RISK POOL (Continued)

In 1999, the City of Eastlake paid \$157,478 in premiums from the general fund, which represents 10.9 percent of total premiums. Financial information can be obtained by contacting the fiscal agent, the Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146.

NOTE 18 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

City of Eastlake
Lake County
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

To the Members of City Council:

We have audited the financial statements of the City of Eastlake, Lake County, Ohio, (the City), as of and for the year ended December 31, 1999 and have issued our report thereon dated July 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of non-compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 21, 2000.

This report is intended for the information and use of management, Audit Committee, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a small yellow mark above the "i".

Jim Petro
Auditor of State

July 21, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF EASTLAKE

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 24, 2000**