



**CITY OF EASTLAKE  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF EASTLAKE  
LAKE COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 - 1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## 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, 2000 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, 2000 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 June 20, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

June 20, 2001

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CITY OF EASTLAKE  
LAKE COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED DECEMBER 31, 2000

	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	Expendable Trust and Agency Funds	General Fixed Assets	
<b>ASSETS AND OTHER DEBITS:</b>										
<b>ASSETS:</b>										
Cash and Cash Equivalents	\$994,375	\$541,226	\$322,012	\$4,573,437	\$71,199	\$466,234	\$ -	\$ -	\$6,968,483	
Investments	23,000	-	-	-	-	-	-	-	23,000	
Receivables:										
Taxes	2,479,893	294,932	1,435,330	1,408,932	-	-	-	-	5,619,087	
Accounts	9,842	-	-	4,165	448,104	28	-	-	462,139	
Special Assessments	-	-	24,086	-	-	-	-	-	24,086	
Due from Other Governments	20,862	8,912	-	-	-	-	-	-	29,774	
Prepaid Items	68,363	102	-	-	10,267	76	-	-	78,808	
Restricted Assets:										
Cash with Fiscal Agent	-	-	10,823	-	-	-	-	-	10,823	
Inventory of Supplies	34,639	56,221	-	-	4,717	-	-	-	95,577	
Fixed Assets (Net of Accumulated Depreciation)	-	-	-	-	2,535,486	-	16,288,500	-	18,823,986	
Other Debits:										
Amount Available in Debt Service Funds	-	-	-	-	-	-	-	322,012	322,012	
Amount to be Provided for General Long - Term Obligations	-	-	-	-	-	-	-	7,933,302	7,933,302	
<b>TOTAL ASSETS &amp; OTHER DEBITS:</b>	<u>\$3,630,974</u>	<u>\$901,393</u>	<u>\$1,792,251</u>	<u>\$5,986,534</u>	<u>\$3,069,773</u>	<u>\$466,338</u>	<u>\$16,288,500</u>	<u>\$8,255,314</u>	<u>\$40,391,077</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  
FOR THE YEAR ENDED DECEMBER 31, 2000

	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	Expendable Trust and Agency Funds	General Fixed Assets	General Long Term Obligations	
<b>LIABILITIES, EQUITY &amp; OTHER CREDITS:</b>									
<b>LIABILITIES:</b>									
Accounts Payable	\$297,378	\$54,608	-	\$571,516	\$18,791	\$6,610	\$ -	\$ -	\$948,903
Accrued Wages and Benefits	265,926	4,903	-	-	11,307	-	-	-	282,136
Due to Other Governments	119,101	211,865	-	-	10,080	-	-	-	341,046
Due to Others	-	-	-	-	-	175,623	-	-	175,623
Deferred Revenue	1,630,932	294,932	1,459,416	1,408,932	-	-	-	-	4,794,212
Matured Bonds and Interest Payable	-	-	10,823	-	-	-	-	-	10,823
Compensated Absences Payable	-	-	-	-	23,973	-	-	1,170,352	1,194,325
Notes Payable	-	-	-	5,180,000	-	-	-	-	5,180,000
General Obligation Bonds	-	-	-	-	-	-	-	6,775,000	6,775,000
Special Assessment Bonds	-	-	-	-	-	-	-	27,000	27,000
Capital Leases Payable	-	-	-	-	-	-	-	17,248	17,248
OPWC Loan Payable	-	-	-	-	-	-	-	265,714	265,714
<b>TOTAL LIABILITIES:</b>	<b>2,313,337</b>	<b>566,308</b>	<b>1,470,239</b>	<b>7,160,448</b>	<b>64,151</b>	<b>182,233</b>	<b>-</b>	<b>8,255,314</b>	<b>20,012,030</b>
<b>EQUITY &amp; OTHER CREDITS:</b>									
Investment in General Fixed Assets	-	-	-	-	-	-	16,288,500	-	16,288,500
Contributed Capital	-	-	-	-	8,195,957	-	-	-	8,195,957
Retained Earnings - Unreserved	-	-	-	-	(5,190,335)	-	-	-	(5,190,335)
<b>Fund Balances:</b>									
Reserve for Encumbrances	28,425	8,809	-	678,776	-	-	-	-	716,010
Reserve for Prepaid Items	68,363	102	-	-	-	-	-	-	68,465
Reserve for Inventory of Supplies	34,639	56,221	-	-	-	-	-	-	90,860
Unreserved:									
Designated for Debt Service	-	-	322,012	-	-	-	-	-	322,012
Undesignated	1,186,210	269,953	-	(1,852,690)	-	284,105	-	-	(112,422)
<b>TOTAL EQUITY &amp; OTHER CREDITS:</b>	<b>1,317,637</b>	<b>335,085</b>	<b>322,012</b>	<b>(1,173,914)</b>	<b>3,005,622</b>	<b>284,105</b>	<b>16,288,500</b>	<b>0</b>	<b>20,379,047</b>
<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS:</b>	<b>\$3,630,974</b>	<b>\$901,393</b>	<b>\$1,792,251</b>	<b>\$5,986,534</b>	<b>\$3,069,773</b>	<b>\$466,338</b>	<b>\$16,288,500</b>	<b>\$8,255,314</b>	<b>\$40,391,077</b>

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, 2000

GOVERNMENTAL FUND TYPES

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Expendable Trust Funds	Totals (Memorandum Only)
<b>REVENUES:</b>						
Property Taxes	\$1,764,326	\$312,154	\$1,490,599	\$1,595,196	\$ -	\$5,162,275
Municipal Income Taxes	7,349,047	-	-	-	-	7,349,047
State Levied Shared Taxes	2,629,498	665,547	104,430	95,029	-	3,494,504
Other Local Taxes	152,028	-	-	44,294	-	196,322
Intergovernmental Revenues	50,032	61,387	-	753,816	-	865,235
Charges for Services	121,080	-	-	-	12,500	133,580
Licenses and Permits	249,379	-	-	-	-	249,379
Fines and Forfeitures	233,001	138,462	-	-	-	371,463
Special Assessments	-	-	47,936	22,830	-	70,766
Investment Earnings	227,888	2,609	-	-	-	230,497
All Other Revenues	207,740	-	-	-	4,144	211,884
<b>Total Revenues</b>	<u>12,984,019</u>	<u>1,180,159</u>	<u>1,642,965</u>	<u>2,511,165</u>	<u>16,644</u>	<u>18,334,952</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
Security of Persons and Property	5,910,779	840,218	-	-	-	6,750,997
Public Health and Welfare Services	144,688	-	-	-	-	144,688
Leisure Time Activities	1,580,854	-	-	999,542	35,110	2,615,506
Community Environment	370,713	-	-	-	-	370,713
Basic Utility Services	709,397	-	-	-	-	709,397
Transportation	1,097,213	506,477	-	-	-	1,603,690
General Government	2,741,576	-	184,171	-	2,040	2,927,787
Capital Outlay	197,934	145,387	-	3,525,508	-	3,868,829
<b>Debt Service:</b>						
Principal Retirement	0	-	957,500	28,045	-	985,545
Interest and Fiscal Charges	-	-	396,450	15,750	-	412,200
<b>Total Expenditures</b>	<u>12,753,154</u>	<u>1,492,082</u>	<u>1,538,121</u>	<u>4,568,845</u>	<u>37,150</u>	<u>20,389,352</u>
Excess (Deficiency) of Revenues Over Expenditures	230,865	(311,923)	104,844	(2,057,680)	(20,506)	(2,054,400)
<b>Other Financing Sources (Uses):</b>						
Proceeds of Loans	-	-	-	42,920	-	42,920
Operating Transfers-In	-	272,000	-	-	-	272,000
Operating Transfers-Out	(272,000)	-	-	-	-	(272,000)
Other Financing Sources	13,253	-	61,000	-	57,475	131,728
Other Financing Uses	(1,434)	-	-	-	(3,891)	(5,325)
<b>Total Other Financing Sources and (Uses)</b>	<u>(260,181)</u>	<u>272,000</u>	<u>61,000</u>	<u>42,920</u>	<u>53,584</u>	<u>169,323</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(29,316)	(39,923)	165,844	(2,014,760)	33,078	(1,885,077)
Fund Balance, Beginning of Year	1,349,926	366,763	156,168	840,846	251,027	2,964,730
Increase/(Decrease) in Inventory Reserve	(2,973)	8,245	-	-	-	5,272
<b>Fund Balance, End of Year</b>	<u>\$1,317,637</u>	<u>\$335,085</u>	<u>\$322,012</u>	<u>(\$1,173,914)</u>	<u>\$284,105</u>	<u>\$1,084,925</u>

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, 2000

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>REVENUES:</b>						
Property Taxes	\$1,726,010	\$1,764,326	\$38,316	\$307,834	\$312,154	\$4,320
Municipal Income Tax	7,856,220	7,355,422	(500,798)	-	-	-
State Levied Shared Taxes	2,643,500	2,629,498	(14,002)	662,900	665,998	3,098
Other Local Taxes	165,300	163,978	(1,322)	-	-	-
Intergovernmental Revenues	49,700	49,515	(185)	75,391	61,387	(14,004)
Charges for Services	154,500	149,746	(4,754)	-	-	-
Licenses & Permits	249,435	245,279	(4,156)	-	-	-
Fines & Forfeitures	231,015	230,261	(754)	21,650	138,360	116,710
Special Assessments	-	-	-	-	-	-
Investment Earnings	229,000	227,888	(1,112)	-	2,609	2,609
All Other Revenues	204,435	203,867	(568)	-	-	-
<b>Total Revenues</b>	<b>13,509,115</b>	<b>13,019,780</b>	<b>(489,335)</b>	<b>1,067,775</b>	<b>1,180,508</b>	<b>112,733</b>
<b>EXPENDITURES:</b>						
Security of Persons and Property	6,182,438	5,931,853	250,585	907,002	792,325	114,677
Public Health and Welfare Services	146,000	144,688	1,312	-	-	-
Leisure Time Activities	1,604,945	1,558,636	46,309	-	-	-
Community Environment	458,097	379,943	78,154	-	-	-
Basic Utility Services	709,800	709,786	14	-	-	-
Transportation	1,227,515	1,152,549	74,966	541,180	501,026	40,154
General Government	2,978,670	2,810,532	168,138	-	-	-
Capital Outlay	252,737	199,150	53,587	155,920	190,036	(34,116)
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>13,560,202</b>	<b>12,887,137</b>	<b>673,065</b>	<b>1,604,102</b>	<b>1,483,387</b>	<b>120,715</b>
Excess (Deficiency) of Revenues Over Expenditures	(51,087)	132,643	183,730	(536,327)	(302,879)	233,448
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds of Notes	-	-	-	-	-	-
Proceeds of Loans	-	-	-	-	-	-
Sale Of Assets	-	-	-	-	-	-
Operating Transfers-In	-	-	-	297,916	272,000	(25,916)
Operating Transfers-(Out)	(549,450)	(272,000)	277,450	-	-	-
Other Financing Sources	14,000	13,253	(747)	-	-	-
Other Financing (Uses)	(2,505)	(1,434)	1,071	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(537,955)</b>	<b>(260,181)</b>	<b>277,774</b>	<b>297,916</b>	<b>272,000</b>	<b>(25,916)</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	(589,042)	(127,538)	461,504	(238,411)	(30,879)	207,532
Fund Balance, Beginning of Year	1,034,096	1,034,096	-	540,256	540,256	-
Prior Year Encumbrances	82,392	82,392	-	23,040	23,040	-
<b>Fund Balance, End of Year</b>	<b>\$527,446</b>	<b>\$988,950</b>	<b>\$461,504</b>	<b>\$324,885</b>	<b>\$532,417</b>	<b>\$207,532</b>

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)
\$1,498,126	\$1,490,599	(\$7,527)	\$1,551,643	\$1,595,196	\$43,553
-	-	-	-	-	-
-	104,430	104,430	151,064	95,029	(56,035)
-	-	-	85,000	40,129	(44,871)
-	-	-	225,310	753,816	528,506
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,000	47,936	26,936	-	22,830	22,830
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,519,126</u>	<u>1,642,965</u>	<u>123,839</u>	<u>2,013,017</u>	<u>2,507,000</u>	<u>493,983</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	999,600	999,542	58
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
23,300	184,171	(160,871)	-	-	-
-	-	-	6,497,880	3,698,005	2,799,875
998,120	957,500	40,620	383,200	378,045	5,155
399,215	396,450	2,765	15,750	15,750	-
<u>1,420,635</u>	<u>1,538,121</u>	<u>(117,486)</u>	<u>7,896,430</u>	<u>5,091,342</u>	<u>2,805,088</u>
98,491	104,844	6,353	(5,883,413)	(2,584,342)	3,299,071
-	-	-	-	5,180,000	5,180,000
-	-	-	42,920	42,920	-
-	-	-	-	-	-
-	-	-	65,000	65,000	-
-	-	-	-	(65,000)	(65,000)
-	61,000	61,000	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>61,000</u>	<u>61,000</u>	<u>107,920</u>	<u>5,222,920</u>	<u>5,115,000</u>
98,491	165,844	67,353	(5,775,493)	2,638,578	8,414,071
156,168	156,168	-	1,209,513	1,209,513	-
-	-	-	46,570	46,570	-
<u>\$254,659</u>	<u>\$322,012</u>	<u>\$67,353</u>	<u>(\$4,519,410)</u>	<u>\$3,894,661</u>	<u>\$8,414,071</u>

EXPENDABLE TRUST FUNDS			TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
-	-	-	\$5,083,613	\$5,162,275	\$78,662
-	-	-	7,856,220	7,355,422	(500,798)
-	-	-	3,457,464	3,494,955	37,491
-	-	-	250,300	204,107	(46,193)
-	-	-	350,401	864,718	514,317
\$25,000	\$12,500	(\$12,500)	179,500	162,246	(17,254)
-	-	-	249,435	245,279	(4,156)
-	-	-	252,665	368,621	115,956
-	-	-	21,000	70,766	49,766
-	-	-	229,000	230,497	1,497
4,070	4,132	62	208,505	207,999	(506)
<u>29,070</u>	<u>16,632</u>	<u>(12,438)</u>	<u>18,138,103</u>	<u>18,366,885</u>	<u>228,782</u>
400	-	400	7,089,840	6,724,178	365,662
-	-	-	146,000	144,688	1,312
43,000	35,374	7,626	2,647,545	2,593,552	53,993
-	-	-	458,097	379,943	78,154
-	-	-	709,800	709,786	14
-	-	-	1,768,695	1,653,575	115,120
7,850	7,700	150	3,009,820	3,002,403	7,417
1,000	-	1,000	6,907,537	4,087,191	2,820,346
-	-	-	-	-	-
-	-	-	1,381,320	1,335,545	45,775
-	-	-	414,965	412,200	2,765
<u>52,250</u>	<u>43,074</u>	<u>9,176</u>	<u>24,533,619</u>	<u>21,043,061</u>	<u>3,490,558</u>
(23,180)	(26,442)	(3,262)	(6,395,516)	(2,676,176)	3,719,340
-	-	-	-	5,180,000	5,180,000
-	-	-	42,920	42,920	-
-	-	-	-	-	-
-	-	-	362,916	337,000	(25,916)
-	-	-	(549,450)	(337,000)	212,450
23,500	57,475	33,975	37,500	131,728	94,228
(4,000)	(3,891)	109	(6,505)	(5,325)	1,180
<u>19,500</u>	<u>53,584</u>	<u>34,084</u>	<u>(112,619)</u>	<u>5,349,323</u>	<u>5,461,942</u>
(3,680)	27,142	30,822	(6,508,135)	2,673,147	9,181,282
257,485	257,485	-	3,197,518	3,197,518	-
224	224	-	152,226	152,226	-
<u>\$254,029</u>	<u>\$284,851</u>	<u>\$30,822</u>	<u>(\$3,158,391)</u>	<u>\$6,022,891</u>	<u>\$9,181,282</u>

CITY OF EASTLAKE  
LAKE COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000

	ENTERPRISE FUND
OPERATING REVENUES:	
Charges for Services	\$1,358,880
 OPERATING EXPENSES:	
Personal Services	490,330
Contractual Services	804,867
Materials and Supplies	61,445
Utilities	29,021
Depreciation	139,738
Other Operating Expense	53,051
Total Operating Expenses	1,578,452
 OPERATING (LOSS)	 (\$219,572)
 DEFICIT RETAINED EARNINGS AT BEGINNING OF YEAR	 (4,970,763)
 DEFICIT RETAINED EARNINGS AT END OF YEAR	 (\$5,190,335)

The notes to the general purpose 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, 2000

	<u>ENTERPRISE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$1,402,718
Cash Payments to Suppliers for Goods and Services	(941,902)
Cash Payments to Employees for Services	<u>(498,074)</u>
Net Cash Provided by Operating Activities	<u><u>(\$37,258)</u></u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net Book Value of Fixed Asset Disposals	68,239
Purchase of Fixed Assets	(220,861)
Contributed Capital	<u>95,790</u>
Net Cash Used for Capital and Related Financing Activities	<u>(56,832)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (94,090)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>165,289</u>
 CASH AND CASH EQUIVALENTS AT END OF YE	 <u><u>\$71,199</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
 OPERATING INCOME (LOSS)	 (219,572)
 ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Depreciation Expense	139,738
Decrease In Accounts Receivable	43,838
Decrease In Supplies Inventory	(1,778)
Increase In Prepaid Items	35,629
Increase In Accounts Payable	(27,369)
Increase In Accrued Wages	(416)
Increase In Compensated Absences Payable	(4,110)
Decrease In Due To Other Governments	<u>(3,218)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u><u>(\$37,258)</u></u>

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

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000**

**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 and is associated with a Jointly Governed Organization. This shared risk pool is the Northern Ohio Risk Management Association(NORMA) which is presented in Note 15. The jointly governed organization is the Northeast Ohio Public Energy Council, which 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  
LAKE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(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.



**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

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

**Basis of Presentation - Fund Accounting (Continued)**

***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.

**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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

**Basis of Accounting and Measurement Focus(Continued)**

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, 2000 and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue.

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. 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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

**Estimated Resources(Continued)**

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 2000.

**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 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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

**Budgetary Basis of Accounting (Continued)**

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

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	\$ (29,316)	\$ (39,923)	\$ 165,844	\$ (2,014,760)
Increase (Decrease):				
Accrued revenues at December 31, 2000, received during 2001	(879,665)	(8,912)	0	(4,165)
Accrued revenues at December 31, 1999, received during 2000	915,426	9,261	0	0
Accrued expenditures at December 31, 2000, received during 2001	682,405	271,376	0	571,516
Accrued expenditures at December 31, 1999, received during 2000	(738,450)	(267,978)	0	(65,237)
Proceeds of Notes	0	0	0	5,180,000
Note Retirement	0	0	0	(350,000)
1999 Prepays for 2000	18,850	14,208	0	0
2000 Prepays for 2001	(68,363)	(102)	0	0
2000 Outstanding Encumbrances	<u>(28,425)</u>	<u>(8,809)</u>	<u>0</u>	<u>(678,776)</u>
Budget Basis	<u>\$ (127,538)</u>	<u>\$ (30,879)</u>	<u>\$ 165,844</u>	<u>\$ 2,638,578</u>

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, a money market account, the State Treasury Asset Reserve (STAR Ohio), AIM Government Agency Money Market and repurchase agreements. These investments 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 the pooled money market account, AIM Government Agency Money Market, STAR Ohio and repurchase agreements to be cash equivalents.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(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.

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. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2000.

During fiscal year 2000, investments were limited to STAROhio, repurchase agreements, a money market account, and the AIM Government Agency Money Market Fund. Also, the City held a \$23,000 Manuscript Bond.

**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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

**Fixed Assets and Depreciation(Continued)**

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

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 (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  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(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 - ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Deficits**

There was a fund deficit in the Capital Projects Fund of \$1,173, 914 which was the result of recognition of accruals on the modified accrual basis. Also, there was a fund deficit in the Sanitary Sewer Fund of \$5,190,335 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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE(Continued)**

**B. Expenditures and commitments exceeding Appropriations**

As of December 31, 2000, the General Bond Retirement Fund and Fire Levy Fund had expenditures plus commitments exceeding appropriations contrary to Section 5705.41(B), Revised Code, in the amounts of \$217,957 and \$66,631 respectively.

**C. Appropriations Exceeding Estimated Resources**

Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue from that fund. For fiscal year 2000, the Law Enforcement Trust Fund, Fire Levy, Eastlake Economic Development Fund had appropriations in excess of estimated revenues (plus available balances) in the amounts of \$71,644, \$109,622 and \$4,999,600 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.

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;



**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS(Continued)**

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.

**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 and AIM U.S. Government Agency Money Market Fund are unclassified investments since they are 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 \$645,220 (including \$1,300 in petty cash), and the bank balance was \$794,128. Of the bank balance, \$123,628 was covered by federal depository insurance and \$670,500 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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS(Continued)**

**Deposits**

	<u>Category 1</u>	<u>Category 3</u>	<u>Carrying Amount</u>
Breakwall Imp. Bonds	\$ 23,000	\$ -	\$ 23,000
Repurchase Agreement		1,707,629	1,707,629
State Treasurer's Asset Reserve (STAROhio)			1,367,137
AIM Govt. Agency Money Market Fund			3,259,320
Total Investments	<u>\$ 23,000</u>	<u>\$ 1,707,629</u>	<u>\$ 6,357,086</u>

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:

	<u>Cash and Cash</u>	
	<u>Equivalents</u>	<u>Investment</u>
GASB Statement No. 9	\$ 6,979,306	\$ 23,000
Investments:		
AIM Govt. Agency Money Market Fund	(3,259,320)	3,259,320
Repurchase Agreements	(1,707,629)	1,707,629
STAR Ohio	<u>(1,367,137)</u>	<u>1,367,137</u>
Per GASB Statement No. 3	<u>\$ 645,200</u>	<u>\$ 6,357,086</u>

**NOTE 5 - 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 2000 were levied after October 1, 1999 on assessed values as of January 1, 1999, 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 20<sup>th</sup>.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 5 - TAXES(Continued)**

**Property Taxes (Continued)**

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.

The full tax rate for all City operations for the year ended December 31, 2000, was \$10.8 per \$1,000 of assessed value. The assessed value upon which the 1998 levy was based was \$544,572,267. This amount constitutes \$332,541,060 in real property assessed value, \$162,641,680 in public utility assessed value and \$49,389,527 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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 6 - OPERATING TRANSFERS**

The following is a summary of operating transfers for all funds for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 272,000
Special Revenue Funds		
Federal Grants Fund	0	0
Police Pension Fund	198,500	0
Fire Pension Fund	<u>73,500</u>	<u>0</u>
Total Special Revenue Funds	<u>272,000</u>	<u>0</u>
Capital Projects Funds:		
Fire Levy Fund	65,000	0
Capital Projects	<u>0</u>	<u>65,000</u>
Total Capital Projects Funds:	<u>65,000</u>	<u>65,000</u>
Total All Funds	<u>\$ 337,000</u>	<u>\$ 337,000</u>

**NOTES 7 - RECEIVABLES**

Receivables at December 31, 2000 consisted of taxes, accounts receivable, special assessments and intergovernmental receivables arising from grants and shared revenues. All receivables are considered fully collectible.

**NOTE 8 - FIXED ASSETS**

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

	<u>Balance 1/1/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/00</u>
Land	\$ 521,415	\$ 361,909	\$ 0	\$ 883,324
Buildings and Improvements	8,404,561	1,550,148	0	9,954,709
Machinery and Equipment	5,154,513	514,250	218,296	5,450,467
Total	<u>\$ 14,080,489</u>	<u>\$ 2,426,307</u>	<u>\$ 218,296</u>	<u>\$ 16,288,500</u>

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 8 - FIXED ASSETS (Continued)**

Schedule of General Fixed Assets at December 31, 2000:

<u>General Fixed Assets</u>		<u>Investment in General Fixed Assets</u>	
Land	\$ 883,324	General Fund	\$ 4,775,483
Buildings and Improvements	9,954,709	Special Revenue Fund	4,837,354
Machinery and Equipment	5,450,467	Capital Projects Fund	6,675,663
 Total	 <u>\$ 16,288,500</u>		 <u>\$ 16,288,500</u>

The following is a summary of changes in Proprietary Fund Fixed Assets at December 31, 2000:

	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 92,676	\$ 0	\$ 92,676
Building	768,000	(716,384)	51,616
Utility Structures in Service	8,082,994	(5,991,090)	2,091,904
Machinery and Equipment	465,316	(166,026)	299,290
 Totals	 <u>\$ 9,408,986</u>	 <u>\$ (6,873,500)</u>	 <u>\$ 2,535,486</u>

**NOTE 9 - 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 employees 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 basic 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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS(Continued)**

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is set at 8.5% of their annual covered salary to fund pension obligations. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The 2000 employer contribution rate for local government employer units was 10.84% of covered payroll, 6.54% to fund the pension and 4.3% to fund health care. The 1999 and 1998 employer contribution rates were 13.55%. 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, 2000, 1999, and 1998 were \$545,582, \$681,130 and \$589,874, respectively, which were equal to the required contributions for each year. The full amount has been contributed for 1999 and 1998. 86 percent has been contributed for 2000 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 and primary survivor recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB), as described in GASB Statement No. 12. 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 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was 4.3% of covered payroll, which amounted to \$218,824. For 1999, the contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999 and include a rate of return on investments of 7.75%. An annual increase of 4.74% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 is \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is better presentation of PERS' actual funding methodology. Since 1997, disclosure had been based on a pay-as-you-go funding basis.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS(Continued)**

**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 12.25% and 16.75% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2000, 1999, and 1998 were \$377,596, \$350,012 and \$348,908 for police and \$244,999, \$188,267 and \$249,990 for firefighters, respectively, which were equal to the required contributions for each year. The full amount has been contributed for 1999 and 1998. 75 percent has been contributed for 2000 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 2000 covered payroll that was used to fund post employment health care benefits was \$140,388 representing 7.25% of covered payroll for police and \$74,011 representing 7.25% of covered payroll for fire. Health care funding and accounting were on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll and total firefighter employer contribution rate is 24% of covered payroll. For 1999, the percent used to fund health care was 7%. 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, 1999, the date of the last actuarial available, the number of participants eligible to receive health care benefits was 12,467 for police and 9,807 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, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 10 - 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, 2000, the total obligation for vacation accrual for the City as a whole amounted to \$390,286.

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, 2000, the total obligation for sick leave accrual for the City as a whole amounted to \$804,039.

**NOTE 11 - 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>
2001	\$ 8,624
2002	8,624
Total minimum lease payments	<u>17,248</u>
Less: Amount representing interest	<u>-0-</u>
Present value of net minimum lease payments	<u><u>\$ 17,248</u></u>

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

**NOTE 12 - NOTE DEBT**

The City's note activity for the year ended December 31, 2000 is as shown below. All notes are being shown in the Capital Projects Fund.

	<u>Balance 12/31/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/00</u>
Rec/Land Acquisition	\$ 0	\$980,000		\$ 980,000
4.5% Fire Station Imp.	100,000	0	100,000	0
4.5% Fire Pumper	250,000	200,000	250,000	200,000
Economic Development		4,000,000		4,000,000
Total Notes	<u><u>\$ 350,000</u></u>	<u><u>\$ 5,180,000</u></u>	<u><u>\$ 350,000</u></u>	<u><u>\$ 5,180,000</u></u>



**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 12 - NOTE DEBT(Continued)**

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 13 - LONG-TERM OBLIGATIONS**

Activity in the General Long-Term Obligations Account Group in 2000 was as follows:

	Balance 12/31/99	Additions	Reductions	Outstanding 12/31/00
General Obligations Bonds Payable:				
1981 Watermain Imp.	\$ 100,000	\$ 0	\$ 50,000	\$ 50,000
1993 Street Imp.	105,000	0	105,000	0
1993 City Hall Construction	3,300,000	0	115,000	3,185,000
1993 Various	3,610,000	0	535,000	3,075,000
1993 Various	605,000	0	140,000	465,000
Total General Obligation Bonds	<u>\$ 7,720,000</u>	<u>\$ 0</u>	<u>\$ 945,000</u>	<u>\$ 6,775,000</u>
	Balance 12/31/99	Additions	Reductions	Outstanding 12/31/00
Special Assessment Bonds Payable:				
1981 Paxton Road Imp.	\$ 8,000	\$ 0	\$ 4,000	\$ 4,000
1993 Breakwall Imp.	29,000	0	6,000	23,000
Total Special Assessment Bonds	<u>\$ 37,000</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 27,000</u>

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS(Continued)**

	Balance 12/31/99	Additions	Reductions	Outstanding 12/31/00
<b>OPWC Loans</b>				
1995 Sewer Imp.	\$ 105,692	\$ 0	\$ 21,139	\$ 84,553
1999 N. Parkway Sewer	47,500	0	2,500	45,000
2000 E. 377 <sup>th</sup> St. Road Imp.	100,147	0	6,906	93,241
2000 Stevens Blvd. Outfall	0	37,645	0	37,645
2000 Parkland Dr. Sewer	0	5,275	0	5,275
<b>Total OPWC Loans</b>	<b>253,339</b>	<b>42,920</b>	<b>30,545</b>	<b>265,714</b>
<b>Other Long-Term Obligations</b>				
Compensated Absences	1,081,230	89,122	0	1,170,352
Capital Leases	25,538	0	8,290	17,248
<b>Total General Long-Term Debt</b>	<b><u>\$ 9,117,107</u></b>	<b><u>\$ 131,862</u></b>	<b><u>\$ 985,545</u></b>	<b><u>\$ 8,255,314</u></b>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are as follows:

Year(s)	General Obligation Bonds	Special Assessment Bonds	OPWC Loans	Capital Leases
2001	\$ 1,228,570	\$ 12,044	\$ 17,124	\$ 0
2002	1,170,720	7,189	34,248	25,872
2003	1,176,217	6,773	34,248	13,654
2004	1,007,057	5,352	34,248	0
2005	1,002,807	0	23,348	0
2006-2021	3,528,299	0	122,498	0
<b>Total</b>	<b><u>\$ 9,113,670</u></b>	<b><u>\$ 31,358</u></b>	<b><u>\$ 265,714</u></b>	<b><u>\$ 39,526</u></b>

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  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 14 - SEGMENT INFORMATION FOR THE 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, 2000 for this enterprise activity is as follows:

Operating revenues	\$	1,358,880
Depreciation		139,738
Operating loss		(219,572)
Assets		3,069,773
Net working capital		494,109
Additions to fixed assets		220,861
Compensated absences		23,973
Total equity	\$	3,005,622

**NOTE 15 - 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.

In 2000, the City of Eastlake paid \$117,102 in premiums from the general fund, which represents 10.711 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.

There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

Also, the City pays the State Workers Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)**

**NOTE 15 - SHARED RISK POOL(Continued)**

The medical and prescription benefits are provided through Medical Mutual of Ohio and dental benefits are provided through Medical Mutual of Ohio and Prudential Insurance Company. Payments are made on a monthly basis. The expenses are allocated by the number of employees multiplied by the fixed premium rate for each employee. The monthly premium for medical and prescription benefits range from \$199 to \$524 for single, two-party, and family coverages. The monthly premium for dental benefits range from \$25 to \$78 for single, two-party, and family coverage.

**NOTE 16 - 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.

**NOTE 17 - NORTHEAST OHIO PUBLIC ENERGY COUNCIL**

The City is a member of the Northeast Ohio Public Energy Council ("NOPEC"). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board of Directors. The City of Highland Heights did not contribute to NOPEC in 2000. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio, 44095.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 - 1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

## 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 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, 2000, and have issued our report thereon dated June 20, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-20843-001 and 2000-20843-002.

Also, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 20, 2001.

### 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 June 20, 2001.

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

**Jim Petro**  
Auditor of State

June 20, 2001

**CITY OF EASTLAKE  
LAKE COUNTY**

**DECEMBER 31, 2000  
SCHEDULE OF FINDINGS**

Finding Number	2000-20843-001
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Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue from that fund.

As disclosed in Note 3 to the City's financial statements, the following funds had appropriations in excess of estimated revenues (plus available balances).

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>	<u>Percent</u>
<b>Special Revenue Fund:</b>				
Law Enforcement Trust Fund	\$60,856	\$132,500	\$71,644	117%
<b>Capital Projects Funds:</b>				
Fire Levy Fund	258,178	367,800	109,622	42%
Eastlake Economic Development Fund	0	4,999,600	4,999,600	100%

We recommend the City enforce budget controls to ensure that Council does not appropriate more than the City expects to collect as revenue.

The City was aware of this requirement and corrected the variances noted above in January 2001. Concerning the Development Fund, this was an anomaly for the City in line with the various Economic Development projects.

Finding Number	2000-20843-002
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Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by City Council may not exceed appropriations at the fund and object level of control for all funds, and appropriations may not exceed estimated resources. As disclosed in Note 3 to the City's financial statements, the following funds had expenditures that exceeded appropriations:

	<u>Appropriations</u>	<u>Actual Expenses</u>	<u>Excess</u>	<u>Percent</u>
<b>Capital Projects Fund:</b>				
Fire Levy Fund	\$367,800	\$434,431	\$66,631	18%
General Bond Retirement Fund	1,355,000	1,572,957	217,957	16%

This weakness could allow expenditures in any of the above funds to exceed the total of the available fund balance and the current year revenues. This weakness could result in negative fund balance(s).

We recommend the City compare appropriations to expenditures in all funds which are legally required to be budgeted, at the legal level of control, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison, and amendment if necessary, should be completed on a monthly basis at a minimum.

The City was aware of this requirement and corrected the variances noted above in January 2001.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
JULY 19, 2001**