Mary Taylor, CPA
Auditor of State

CITY OF LAKEWOOD
PHASE 1
PERFORMANCE AUDIT

MARCH 27, 2008

Mary Taylor, CPA
Auditor of State

To the Residents, Mayor, and Council members of the City of Lakewood:

The City of Lakewood (or the City) engaged the Auditor of State's Office (AOS) to conduct a performance audit in two phases. This first phase includes reviews of Lakewood's budget for 2008, the City's long-term financial forecast, and the Structural Balance Task Force Report (SBTFR). The performance audit was designed to assess the selected areas and develop recommendations, where warranted, that identify areas for additional investigation in the SBTFR or practices that would improve the reliability of the budget and financial forecast.

The report includes the project history; the scope, objectives and methodology of the performance audit; background information; noteworthy accomplishments; issues for further study; and recommendations. This report has been provided to the City, and its contents discussed with the appropriate officials and administrators. The City has been encouraged to use the results of the performance audit as a resource and management tool.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at http://www.auditor.state.oh.us by choosing the "On-Line Audit Search" option.

Sincerely,

Mary Taylor

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Auditor of State

March 27, 2008

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Financial Planning

Project History

In January 2008, the City of Lakewood (the City) engaged the Auditor of State's Office (AOS) to conduct a performance audit of certain aspects of financial management, health care, performance measurement, the Police Department, the Building and Housing Department, the Fire Department, and the Public Works Department. However, because municipalities are required to adopt an annual budget by April 1 (ORC § 5705.38), the City requested that AOS conduct the audit in two phases, with phase one focusing on financial management and phase two focusing on the remaining areas and departments. This report represents the phase one portion of the performance audit.

Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions, and recommendations. The specific objectives of this performance audit (phase one) include reviews of the following:

- The City's budget for 2008 for reasonableness, including the underlying assumptions and supporting documentation.
- The City's long-term financial projections (2009 through 2013) for reasonableness, including the supporting documentation and forecasting methodology.
- The Structural Balance Task Force Report (SBTFR), which is an internal study prepared by City stakeholders, for reasonableness and to determine whether additional review or investigation is warranted.

The performance audit provides an independent assessment of the above areas. Where warranted, recommendations were developed to identify areas for additional investigation in the SBTFR or practices that would improve the reliability of the budget and financial forecast. The recommendations comprise options that the City should consider in its efforts to improve overall operations.

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between January and February, 2008. To complete this report, auditors gathered a significant amount of data pertaining to the City, conducted interviews with numerous individuals, and reviewed and assessed available information. The data used to conduct the assessments in this performance audit was deemed reliable. Information that was used as criteria for comparison purposes was not tested for reliability, although the information was reviewed for reasonableness and applicability.

The performance audit process involved information sharing with the City, including preliminary findings related to the audit objectives. Furthermore, an update meeting was held during the engagement to inform City officials of key issues impacting the selected areas. Throughout the audit process, input from the City was solicited and considered when assessing the selected areas and framing recommendations. Finally, the City provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the City's comments.

The Auditor of State and staff express their appreciation to the City of Lakewood for its cooperation and assistance throughout this audit.

Background

The City is required by ORC § 5705.38 to pass a balanced budget by April 1. ORC § 5705.39 defines a balanced budget as the total estimated resources (prior year carryover plus current year revenues) for each fund exceeding the total estimated appropriations. The Mayor and the Finance Department are primarily responsible for coordinating the City's activities to ensure that a balanced budget is prepared, adopted, and submitted to the Cuyahoga County Auditor's Office (County Auditor's Office) according to the legislative requirements. The City's annual budgetary process begins in July when the Finance Department meets with the Mayor, City Council and the department heads to discuss the current year-to-date actual expenditures, and the goals, schedules and parameters for preparing the budget for the upcoming year. From August through January, the Finance Department works with the Mayor and department heads to develop the initial budget, prepare and file required documentation with the County Auditor's Office, and revise the budget to reflect modifications in departmental proposals, changes in staffing levels, and the close of the current year. In February, the Finance Department begins preparation of the final budget document that is presented to City Council for hearings and adoption by the end of March. To demonstrate the long-term impact of the current year budget, the City includes a financial forecast with the budgetary document that is presented to City Council. The Finance Department prepares the forecast based on an assessment of historical trends and knowledge of changes in City programs and policies.

In response to current financial difficulties, the City Council, through Ordinance Resolution 8167-07, requested a study of various City departments to identify potential areas for improvements and savings. As a result, the City formed a committee comprising local citizens with a variety of backgrounds to review the City's Fire Department, Parks Department, Refuse Department, Department of Aging, Human Services Department, Police Department, and various other issues. In total, these Departments and services represented 71 percent of the City's General Fund budget in 2007. The committee formally released the Structural Balance Task Force Report (SBTFR) on November 15, 2007. The SBTFR makes recommendations that are estimated to save the City approximately $4.2 million annually. The City is currently reviewing the SBTFR and has not yet implemented the recommendations.

Financial Condition

The City is funded through a variety of voter-approved levies, intergovernmental revenues and locally generated fees, fines, and charges for services. A description of the City's revenue sources includes the following:

- **Municipal Income Taxes**: The City levies a 1.5 percent income tax for the General Fund. The income tax is levied on the net income of businesses and corporations, and on the gross wages, salaries and other income earned by residents of the City and non-residents working in the City. Residents are granted a 50 percent credit for income taxes paid to other municipalities. Income taxes represented 49 percent of the total General Fund revenue in 2007.

- **Property Taxes**: The City levies a total of 17.4 mills of property tax. These levies are distributed in the following manner: 8.7 mills for the General Fund, 3.2 mills for the police and fire pension funds, 3.5 mills for the bond retirement fund, and 2.0 mills for the wastewater improvement fund. Property taxes represented 19 percent of the total General Fund revenue in 2007.

- **Intergovernmental Revenues**: The City receives revenues from Federal, State and County sources that can be used for a variety of purposes (local government funds, estate taxes, etc.). Intergovernmental revenues represented approximately 17 percent of the City's General Fund revenues in 2007.

- **Other Local Sources**: The City receives a variety of fees, fines, and charges for services to help offset the cost of offering specific programs, such as the Municipal Court and building and housing inspections. The City also generates interest revenues by investing idle cash balances. The City's fees, fines, charges for services, and interest revenues represented approximately 15 percent of the General Fund revenues in 2007.

As of January 31, 2008, the City projected expenditures of approximately $38.4 million for 2008 and the ending fund balance at a deficit of approximately $4.6 million. The City's financial position has steadily declined since 2003 when the ending unencumbered General Fund balance peaked at approximately $6.3 million. At the end of the 2007, the ending General Fund balance declined to approximately $340,000. **Table 1-1** presents a summary of the City's 2008 budget proposal for the General Fund along with three years of historical information.

Table 1-1: City of Lakewood 2008 Budget (in 000's)

	Actual 2005	Actual 2006	Actual 2007	Budget 2008
Revenues:				
Income Taxes	$17,139	$18,191	$18,300	$18,400
Property Taxes	7,118	6,913	7,584	7,258
Local Government Funds	3,951	3,956	3,962	4,168
Homestead & Rollback	930	771	848	801
Licenses & Permits	1,053	1,822	1,403	1,212
Municipal Court Fines	1,268	1,365	1,241	1,243
Estate Taxes	1,414	914	894	500
Charges for Services	572	595	593	582
Other	1,856	2,744	2,251	1,930
Total	**$35,301**	**$37,271**	**$37,078**	**$36,094**
Expenditures:				
Salaries & Wages	$21,567	$23,559	$23,195	$24,358
Employee Benefits	4,956	5,040	5,764	6,874
Operating	6,145	6,211	6,338	7,174
Capital Outlay	214	123	48	17
Total Operating Expenditures	**$32,882**	**$34,933**	**$35,345**	**$38,423**
Transfers-in	99	0	31	150
Transfers-out	(2,579)	(2,267)	(2,409)	(2,797)
Net Transfers	**($2,480)**	**($2,267)**	**($2,378)**	**($2,647)**
Result of Operations (Net)	**($61)**	**$71**	**($647)**	**($4,976)**
Beginning Cash Balance	$1,080	$1,019	$1,090	$443
Ending Cash Balance	**$1,019**	**$1,090**	**$443**	**($4,533)**
Encumbrances	405	118	103	103
Ending Fund Balance	**$614**	**$972**	**$340**	**($4,636)**

Source: City of Lakewood
Note: Totals may vary due to rounding.

Table 1-2 presents a summary of the City's financial forecast. It should be noted that in most cases, the specific line item projections in **Table 1-2** do not exactly reconcile to the projections in **Table 1-1**. This is due to differences in grouping the various line items, and to timing issues and related updates by the City because the forecast was provided after the original budget information for 2008. The lower projected negative ending balance for 2008 in **Table 1-2** is primarily due to timing issues associated with the property tax estimates (see **R1.2** for additional details).

Table 1-2: City of Lakewood Financial Forecast (in 000's)

	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
Revenues:						
Income Taxes	$18,500	$18,965	$19,441	$19,930	$20,431	$20,944
Property Taxes	7,709	7,701	8,395	8,479	8,470	8,462
Intergovernmental	5,646	5,634	5,622	5,609	5,597	5,585
Licenses & Permits	1,212	1,249	1,286	1,325	1,364	1,405
Fines & Forfeitures	1,243	1,261	1,279	1,298	1,317	1,336
Charges for Services	580	619	662	707	756	807
Interest	800	816	832	849	866	883
Other	123	146	172	204	241	284
Non-Revenue	917	937	958	979	1,000	1,022
Total	**$36,731**	**$37,328**	**$38,647**	**$39,380**	**$40,042**	**$40,729**
Expenditures:						
Personal Services	$30,903	$32,677	$34,626	$36,754	$39,071	$41,586
Operating	7,748	7,981	8,220	8,467	8,721	8,982
Capital Outlay	0	0	0	0	0	0
Total Operating Expenditures	**$38,652**	**$40,658**	**$42,846**	**$45,221**	**$47,791**	**$50,569**
Transfers-in	0	0	0	0	0	0
Transfers-out	(2,568)	(2,302)	(2,371)	(2,442)	(2,516)	(2,591)
Net Transfers	**($2,568)**	**($2,302)**	**($2,371)**	**($2,442)**	**($2,516)**	**($2,591)**
Result of Operations (Net)	**($4,489)**	**($5,632)**	**($6,570)**	**($8,283)**	**($10,265)**	**($12,431)**
Beginning Cash Balance	$440	($4,049)	($9,681)	($16,251)	($24,534)	($34,799)
Ending Cash Balance	**($4,049)**	**($9,681)**	**($16,251)**	**($24,534)**	**($34,799)**	**($47,230)**
Encumbrances	103	103	103	103	103	103
Ending Fund Balance	**($4,152)**	**($9,784)**	**($16,354)**	**($24,637)**	**($34,902)**	**($47,333)**

Source: City of Lakewood
Note: Totals may vary due to rounding.

Table 1-2 shows that in the absence of program and/or policy changes, the City projects deficits in each year, reaching approximately $47.3 million by 2013. However, the City could experience higher deficits than shown in **Table 1-2** because the revenue projections appear overstated while the expenditures appear slightly understated. This is due to the forecast assumptions not accounting for historical fluctuations in certain line-items, and developing assumptions for group totals rather than separately analyzing the major revenues and expenditures that comprise a line-item (i.e., local government funds, estate taxes and grants within the intergovernmental revenues). As a result, recommendations are included in this performance audit to assist the City in preparing future projections (see **R1.2** and **R1.3**).

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following accomplishment was identified during the course of the performance audit.

- **Financial Reporting and Community Involvement**: The City is one of 16 municipalities in Ohio to receive both the Government Finance Officer Association's (GFOA) Distinguished Budget Presentation award and the Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report (CAFR). GFOA designed these programs to encourage governments to go beyond the minimum requirements and prepare documents that represent the very highest quality in financial reporting. These types of presentations can be useful to report users as they disclose additional information that allows stakeholders to better understand a government's financial condition, financial management policies and procedures, and general operations. Similarly, the City demonstrated a commitment to community involvement by requesting that key stakeholders lead an evaluation of the City's current operations, projected financial condition, and future direction through the SBTFR process.

Budget and Forecast Categories Appearing Reasonable

Based on the testing performed on the City's budget for 2008 (**Table 1-1**), the estimates for the following areas appeared reasonable:

- Income taxes;
- Property taxes;
- Local government funds;
- Homestead and rollback tax reimbursements;
- Licenses and permits;
- Municipal Court fines and fees;

- Other revenues; and
- Total salaries and benefits.

Likewise, the testing performed on the City's forecast (**Table 1-2**) concluded the projections for the following areas appeared reasonable:

- Licenses and permits;
- Fines and forfeitures;
- Interest revenues;
- Non-revenues (reimbursements); and
- Operating expenses.

The ensuing **Recommendations** section of this report contains additional detail to explain the conclusions reached about reasonableness for the aforementioned areas. Additionally, depending upon future programmatic changes, the City's projections for transfers-out may also be reasonable (see **R1.3**).

Issue for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not directly relate to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS identified the following issue:

- **Refuse Fees:** The SBTFR includes a detailed review of the City's Refuse Division and identifies several possible recommendations ranging from promoting additional recycling programs to eliminating the backyard refuse collection program. However, the SBTFR did not investigate the feasibility of developing user charges to offset the cost of the refuse collection program. The Refuse Division is accounted for within the City's General Fund and has a proposed operating budget of $5.0 million for 2008. The Finance Director indicated the City does not charge users for refuse collection services and that the sale of recyclables is the only revenue generated through this program. In 2008, the Finance Department estimated that the recycling revenues would generate approximately $144,000, which offsets only approximately three percent of the total budgeted expenditures.

The City of Akron provides weekly collection of recyclables and household rubbish. In contrast to the City, Akron established user charges (approximately $19.00 per month) that are included on monthly water/sewer invoices and are designed to help offset the cost of this service. According to the City of Akron's 2007 budget, the Sanitation and Recycling Division's (accounted for within Department of Public Service) annual expenditures amount to approximately $9.6 million while the total revenues generated by the Department of Public Service, which consist primarily of curbside refuse collection fees, are budgeted at approximately $12.9 million. Similarly, the City of Cuyahoga Falls accounts for their refuse collection services as an enterprise fund and charges users for the cost of the program. According to the City of Cuyahoga Falls 2006 CAFR, the refuse collection fees equaled $3,853,452 while program expenditures equaled $3,835,257. The City of Cuyahoga Falls charges customers a fee ranging from $14.00 to $19.50 per month, depending on the level of service desired by the citizen. The City of Lakewood's SBTFR report indicates the Refuse Division provides services to approximately 28,500 households. Implementing a $14.00 user fee, the lowest fee charged by the City of Cuyahoga Falls, would generate approximately $4.8 million in additional revenues for the City.

In addition to evaluating the proposals identified in the SBTFR report, the City should consider the feasibility of establishing user charges to help offset the cost of providing refuse collection services. The additional revenues associated with this program would help the City improve its long-term financial stability and may limit the need to reduce other programs and services.

Recommendations

Budget for 2008

R1.1 The City should consider adjusting the ensuing components of the 2008 budget prior to adoption. Specifically, the City should consider increasing the revenue projections for estate taxes and charges for services to better account for historical trends. However, because both revenue sources have experienced historical fluctuations, the City should monitor the actual collections throughout the year and adjust the budget as necessary. Additionally, the City should review the salary and benefit projections for those divisions that had significant variances from the AOS estimates to ensure that the proposed staffing levels are consistent with the future direction of the City. Similarly, the City should review the operating budgets for each division to determine if the large increases proposed for 2008 are needed or can be reduced. If the large increases in operating budgets are needed, the City should determine whether offsetting cost reductions can be made in other areas.

To develop the annual budget, the Finance Department prepares estimates for revenues, employee wages, and benefits based on historical trends, current staffing and negotiated wage information, and knowledge of changes in City programs and policies. Each division is responsible for developing estimates for the operating (supplies, materials, purchased services, etc) and capital (equipment, computers, etc) expenditures. **Table 1-1** shows the City projects total revenues to decline 2.6 percent in 2008 and total expenditures to increase 8.7 percent, causing an operating deficit. A summary analysis of the major line-items includes the following:

- **Revenues:** For purposes of this analysis, AOS grouped the City's revenues into the following classifications: income taxes, property taxes, local government funds, homestead and rollback tax reimbursements, licenses and permits, municipal court fines and fees, estate taxes, charges for services, and other revenues. With the exception of estate taxes and charges for services, the City's 2008 revenue projections appear reasonable based on a variety of criteria, including historical trends, discussions with representatives from the County Auditor's Office, the County Auditor's certificate of estimated resources, recent legislative developments impacting State revenues, and the potential impact of the weak hosing market in Cuyahoga County.

  The City projected the estate taxes to decline approximately 44 percent in 2008, which is based on an estimate of the first half estate tax collections ($245,680) provided by the County Auditor's Office. The City assumed that the second half collections would be similar to the first half and projected the 2008 total collections to equal approximately $500,000. Although this methodology appears reasonable, the projection for 2008 is very conservative compared to historical trends. For example, the City's estate tax collections ranged from $693,000 to $1.7 million since 2002, with an average collection of $1.1 million. Additionally, the level of estate tax receipts is dependent on the number of deaths in the City and the value of the decedent's estate. As such, collections in the first half may not necessarily be indicative of second half collections. Consequently, the City could increase the 2008 projection from $500,000 to $690,000 (2004 estate tax collection) and still remain conservative as this is the lowest level of collections in the last six years.

Similarly, the City projected the charges for services at approximately $582,000 in 2008, which is a decline of approximately two percent from 2007. This projection appears overly conservative compared to the historical trends, especially when considering that the cable franchise fees represent nearly 90 percent of the total charges for services. The cable franchise fee collections equaled $489,000 in 2005, $511,000 in 2006, $526,000 in 2007, and are projected at $511,000 in 2008. Furthermore, total charges for services increased by approximately four percent in 2006 and remained relatively consistent in 2006 and 2007 ($595,000 in 2006 and $593,000 in 2007). Absent known factors that would result in lower cable franchise fees or other charges for services, the City could increase the total 2008 projection to $593,000 (represents all charges for services) and still remain conservative, as this projects no growth from 2007.

- **Salaries and Benefits:** The City estimated that total salaries and benefits would equal approximately $31.2 million in 2008, which represents 82 percent of total General Fund expenditures. To determine the reasonableness of the City's estimates, AOS attempted to reproduce the projections by using the base salaries for employees as of December 31, 2007 and adjusting for known staffing changes in 2008, negotiated wage increases, grant funded positions, estimated longevity payments, and other similar stipends. The benefit estimates were determined by applying the appropriate percentages for pension and Medicare against the AOS salary estimates for each division. An estimate of one percent was used for workers compensation, based on the City's costs in 2006. The health care expenditures were estimated based on the City's health care claims cost per employee in 2007 and increased by 12 percent based on an analysis provided by the City's third-party health care consultant.

  Using the above methodology, AOS estimates came within five percent of the City's projection for 24 of the 35 divisions with assigned employees. In total, the AOS estimates for the General Fund equaled approximately $30.7 million, which is within two percent of the City's total projection ($31.2 million). Based on these results, the City's total estimates for salaries and benefits appear reasonable. Nevertheless, further investigating the 11 divisions that varied by more than five percent from the AOS estimates would ensure that the divisions developed justifiable budgets and the proposed staffing levels are consistent with the future direction of the City. These divisions include City Council, Law, School Guards, Housing and Building, Public Works Administration, Building and Facilities, Income Tax, Band Concerts, July 4th, Finance – General Administration, and Early Childhood. It should be noted that for the latter four divisions, the City's budgets are less than $76,000 per division ($13,900, $13,200, $33,500 and $75,800, respectively).

- **Operating:** The City estimated that total operating costs (supplies, materials, purchased services, utilities, etc.) would equal approximately $7.2 million in 2008, which represents 18 percent of total General Fund expenditures. Additionally, the City's 2008 budget proposal represents a 13 percent increase from 2007 ($6.3 million). By comparison, the City's average annual increase in total operating costs from 2005 through 2007 was only 1.6 percent. This indicates that the operating budget proposals, which are prepared by each division, include items that were not funded in previous years and/or substantial increases for currently funded items. A review of the detailed budget proposals shows that only 8 of 37 divisions with proposed operating budgets were consistent with the trends from 2005 to 2007. If the City limited its total 2008 General Fund operating budget to a 1.6 percent increase, the savings would be approximately $734,000.

- **Capital Outlay:** The City estimated that total capital outlay costs would equal approximately $16,800 in 2008, which represents less than one percent of the total General Fund expenditures. In addition, the City only anticipates having capital outlay expenditures in four divisions: Police, Fire, Fleet Management, and Law. The City's 2008 projections are low compared to historical trends. For example, the total General Fund capital outlay expenditures equaled $214,308 in 2005, $122,709 in 2006, and $48,206 in 2007. However, the low capital outlay expenditures for 2008 can be attributed to the City's financial difficulties and the willingness of the City to finance large capital expenditures (vehicles and large equipment) through leases and other forms of debt.

If the City increased the estate taxes and charges for services (combined increase of $200,000) and lowered the estimated operating costs to historical levels (savings of $734,000), the revised total revenues and expenditures would equal $36.4 million and $37.7 million, respectively. This indicates that the City would have a structural deficit of approximately $1.3 million based on the current year revenues and expenditures. However, this deficit does not consider potential transfers-out from the General Fund. The City projected transfers-out to equal approximately $2.8 million in 2008. AOS did not assess the transfers-out for reasonableness as they are dependent on legal requirements, the policies of the Mayor and City Council, and activity in other funds. When including the transfers-out, the structural deficit increases to approximately $4.1 million. By comparison, the City originally projected a structural deficit of approximately $5.0 million in 2008 (see **Table 1-1**).

Financial Forecast

R1.2 The Finance Department should review the methodology and assumptions used in projecting revenues. Specifically, the Finance Department should ensure that the projections account for changes in legislation, one-time issues that skew the historical trends, information from the County Auditor, and the impact of economic conditions (e.g., current housing market and lack of business expansion). Additionally, the Finance Department should consider projecting the major components of intergovernmental revenues separately to better account for key factors impacting these revenues. When taking the above-mentioned approaches, the Finance Department should include notes that accompany the forecast and clearly explain the methodology and basis of the key assumptions that support the projected figures (see R1.3 for more information). Taking these actions would help improve the reliability and understandability of the City's revenue projections.

To prepare the financial forecast, the Finance Department projects the General Fund revenues primarily from historical trends. As shown in **Table 1-2,** the Finance Department projects that total revenues will increase an average of two percent annually from 2009 through 2013. A summary analysis of the revenue line-items includes the following:

- **Income Tax:** The Finance Department projected income tax collections to increase 1.0 percent in 2008 and 2.5 percent annually thereafter. The Finance Director indicated that the 2008 projection represents a conservative estimate while the projections for 2009 through 2013 are consistent with the historical trends from 2003 through 2007. However, while the 2008 projection appears reasonable, the 2.5 percent historical growth rate is partially inflated due to the City ending its contract with the Regional Income Tax Agency (RITA) at the conclusion of 2005. The City used RITA to administer and collect income taxes on its behalf. As a result of cancelling the contract, the City collected tax monies that were held in arrears by RITA in addition to collecting a full year of income tax receipts through the in-house process in 2006. When excluding 2006 to identify trends in normal years, income taxes increased by an annual average of 0.6 percent from 2002 through 2007. Additionally, the Finance Director and the City's internal surveys both indicate a lack of major business expansion within the City that would have a significant impact on future income tax receipts. If the income tax projections were adjusted to reflect a 0.6 percent annual increase from 2009 through 2013, the cumulative impact on the City's forecast would be a decline in revenues of approximately $5.5 million (average of $1.1 million annually).

- **Property Taxes:** The Finance Department projected the City's property tax collections to equal approximately $7.7 million in 2008, decrease 0.1 percent in 2009, increase 9.0 percent in 2010, increase 1.0 percent in 2011, and decrease 0.1 percent in 2012 and 2013. These projections are based on the yearly fluctuations that occurred from 2003 through 2007. For example, the 9.0 percent increase in 2010 is generally consistent with the growth experienced in 2007 due to the property reappraisal, while the declines projected in 2009, 2012 and 2013 are intended to reflect the decline experienced in 2006. However, the revenues appear overstated due to a variance that occurs in the 2008 projection. Specifically, although the City's 2008 budget projects the property taxes to equal $7.2 million (see **Table 1-1**), the forecast shown in **Table 1-2** projects the property taxes to equal $7.7 million. As noted in **R1.1**, AOS reviewed the revenue line-items that comprise the 2008 budget and determined that the $7.2 million is consistent with the County Auditor's certificate of estimated resources. The difference in projections is likely due to timing issues associated with when the forecast and the 2008 budget were prepared and subsequently updated. Nevertheless, based on the certificate of estimated resources, the $7.2 million projection for property taxes is a more reasonable projection of the City's property taxes in 2008. Furthermore, the projected decline of 0.1 percent in 2013 appears unreasonable due to the historical trends showing increases in years impacted by reappraisals/updates.

  In reviewing the historical trends (2002 through 2007), the City's property taxes have experienced an average increase of less than one percent in non-reappraisal/update years (2002, 2003, 2005, 2006) while the reappraisal/update resulted in 14 percent growth in 2004 and 10 percent growth in 2007. Lastly, based on information provided by the County Auditor's office, the decline in the 2008 property tax projections is due to a combination of increasing tax delinquencies and declining property values attributable to the weak housing market. If the City adjusted its property tax projections to reflect $7.2 million in 2008, no growth in non-reappraisal/update years (2009, 2011, 2012), and 5.0 percent growth in 2010 and 2013 due to the scheduled property reappraisals/updates, the cumulative impact on the City's forecast would be a decline of approximately $3.8 million (average of $639,000 annually). The assumption of no growth in non-reappraisal/update years is consistent with the City's trends in 2002, 2003, 2005 and 2006. The lower growth rate in the reappraisal/update years is based on the uncertainty of the weak housing market and increased tax delinquencies.

- **Intergovernmental:** The City's intergovernmental revenues are comprised of local government funds (LGFs), estate taxes, homestead and rollback property tax reimbursements, various grants, and hotel and motel taxes. The Finance Department projected the City's total intergovernmental revenues to decrease 0.2 percent annually throughout the forecast period, based on the City's average annual change from 2003 to 2007. However, the City's historical growth rates were negatively impacted by the State legislature freezing the LGF revenues since July 2001. Beginning in January 2008, the freeze is eliminated and municipalities will begin receiving a designated percentage of state tax revenues, which could result in increased LGF revenues for the City (represents 65 percent of City's intergovernmental revenues). Additionally, the sources and amounts that comprise the City's intergovernmental revenues are determined by a variety of different factors. For instance, estate taxes depend on the number of deaths inside the City and the value of the decedent's estate (see **R1.1**), the LGFs depend on the funding formula adopted by the State Legislature, and the homestead and rollback reimbursements depend on the number of qualifying property owners within the City. Separately projecting the major sources of intergovernmental revenues would likely improve the reliability of the City's forecast.

  In consideration of historical trends, current legislation and other similar factors, AOS projected the local government funds to increase 3.0 percent annually, estate taxes to remain fixed at the 2008 levels, homestead and rollback reimbursements as 11.0 percent of the real estate taxes, and the other intergovernmental revenues to remain fixed at 2008 levels. Using this approach, the cumulative impact on the City's intergovernmental revenue projection would be an increase of approximately $2.1 million (average of $430,000 annually).

- **Licenses & Permits:** The City's license and permit fees depend on the level of commercial and residential construction taking place within the City. The Finance Department projected license and permit fees to increase three percent annually from 2009 through 2013. Although these revenues increased by an annual average of 22 percent from 2002 through 2007, the historical growth rate is inflated due to scheduled fee increases (2004, 2005 and 2006) and issuing additional permits to the Lakewood City School District to facilitate construction projects through the Ohio Schools Facilities Commission program. According to the Lakewood City School District's FY 2005-06 CAFR, the District will construct two new elementary schools and two new middle schools during the course of the next six to eight years, which could have a positive impact on the City's license and permit fees during the same timeframe. However, despite this, the City's license and permit fees declined 23 percent in 2007 and are projected to decline another 14 percent in the 2008 budget. The Finance Director attributed these declines to the weak housing market in the Cleveland area (see property taxes above). In consideration of these issues, the projected decline in 2008 and three percent annual growth from 2009 through 2012 appear reasonable, especially considering that the projection in 2013 ($1.4 million) will only equal the actual collections for 2007.

- **Fines & Forfeitures:** The City's fines and forfeiture revenues depend on the number and types of cases filed in the Municipal Court, which is outside the City's direct control. The Finance Department projected the total fines and forfeitures to increase 1.5 percent annually during the forecast period, which appears reasonable based on the City's historical growth rates. More specifically, the City's annual average increase in revenues from fines and forfeitures was 1.8 percent from 2002 through 2007.

- **Charges for Services:** The Finance Department projected charges for services to increase 6.9 percent annually during the forecast period based on the City's average annual increase from 2003 to 2007. However, the City experienced large fluctuations in the charges for services since 2002. A large increase in 2004 and the subsequent decline in 2005 can be attributed to the City renegotiating the cable franchise fee agreement with area cable television providers (cable franchise fees), which resulted in the City receiving one-time payments in 2004. When excluding 2004 to account for normal years, the City's charges for services increased by an average annual rate of 1.8 percent from 2005 through 2007. Additionally, **R1.1** indicates that the City should consider increasing the projections for 2008 to $593,000 in order to more accurately reflect the cable franchise fee collections. If the charges for services projections were adjusted to reflect $593,000 in 2008 and a 1.8 percent growth rate each year thereafter, the cumulative impact on the City's forecast would be a decline in revenues of approximately $411,000 (average of $82,200 annually).

- **Interest Revenue:** The Finance Department projected interest revenue to increase two percent annually from 2009 through 2013. The City experienced large fluctuations in interest revenue since 2002, with the receipts ranging from approximately $323,000 in 2004 to $1.3 million in 2006. The higher 2006 receipts are due to the City earning a high rate of return on investments and an increase in the City's cash reserve due to a large debt issuance. When excluding 2006 to account for normal years, the average annual increase for interest receipts is 1.9 percent since 2002. Despite this historical average growth, the City's actual interest receipts declined 24 percent in 2007 ($949,000) and are budgeted to decline another 16 percent in 2008 ($800,000). The Finance Director indicated that the declines in 2007 and 2008 are due to declining interest rates and low cash reserves available for investment purposes. The Ohio State Treasury Asset Reserve (STAR Ohio) is an investment consortium for government entities within

Ohio that is managed by the State Treasurer. STAR Ohio reports that the interest rates have declined from 5.5 percent in 2006 to 4.3 percent in 2007. Given the recent decline in interest rates and the City's historical fluctuations, the projected decline in 2008 and the annual two percent increase from 2009 through 2013 appears reasonable, especially since the projection in 2013 ($883,000) is less than the actual collections in 2007 ($949,000).

- **Other Miscellaneous Revenues:** This line-item consists of donations and contributions, sale of assets, and other miscellaneous revenues. The Finance Department projected other miscellaneous revenues to increase by 18.2 percent annually, which is consistent with the average annual change from 2003 to 2007. However, this revenue source experienced large yearly fluctuations since 2003. More specifically, other miscellaneous revenues increased by 28.2 percent in both 2004 and 2005, declined by 24.5 percent in 2006, and increased by 40.9 percent in 2007. The Assistant Finance Director indicated that the fluctuations are due to sales of assets which represent 99 percent of the other revenues and that the types and quantities of assets sold can vary from one year to the next. The Assistant Finance Director further indicated that the 2008 projection declines 15 percent due to the City conservatively estimating the sale of recyclables, scrap metal, and other City assets based on the historical fluctuations and the possibility of a decline in the future.

  Given the large historical fluctuations in this revenue source and the uncertainty of future asset sales, a three percent annual increase from the 2008 budget levels would provide the City with a more conservative revenue estimate than the historical standards. If the other miscellaneous revenues were adjusted to reflect a 3.0 percent growth rate from 2009 through 2013, the cumulative impact on the City's forecast would be a decline in revenues of approximately $372,000 (average of $74,400 annually).

- **Non-Revenue:** This line-item consists of reimbursements the City receives for prison care, property damage, engineering, etc. The Finance Department projected non-revenues to increase by 2.2 percent annually from 2009 through 2013. This projection appears reasonable because the City averaged an annual increase of 2.2 percent in this category from 2003 to 2007.

Lastly, the Finance Department's forecast contained limited notes to explain the revenue projections. This is due, in part, to using the same forecast methodology in multiple categories (average annual change from 2003 to 2007). See **R1.3** for more information.

R1.3 The Finance Department should review the methodology used in projecting the expenditure line-items. Specifically, because personal services (employee wages and benefits) represent 81 percent of the City's General Fund budget, the Finance Department should consider separately projecting each of the components that comprise this expenditure. This should include current and projected staffing levels, negotiated wage increases and contractual stipends, payroll related benefits, and the health insurance program. Additionally, the Finance Department should present explanations for the key assumptions in the notes to the forecast, including when the projections deviate from the historical trends. Lastly, the City should evaluate the likelihood of incurring no capital outlay expenditures during the forecast period and consider projecting a level of capital outlay spending based on actual need. Doing so would better ensure the City does not neglect needed repairs that may be costlier to address in the long-term. Overall, taking the above actions would help improve the reliability and understandability of the forecast.

As indicated in **Table 1-2**, the Finance Department projected the total General Fund expenditures to increase an average of 5.2 percent annually throughout the forecast period (2009 through 2013). A summary analysis of the major expenditure line-items includes the following:

- **Personal Services:** This line-item comprises employee wages and benefits, which represents approximately 81 percent of the proposed General Fund budget (63 percent for wages and 18 percent for benefits) for 2008. To develop the forecast estimates, the Finance Department separately analyzed the personal service costs for each division by calculating the average change from 2003 through 2007. The Finance Department then applied a similar growth rate to project each division's personal services from 2009 through 2013. The Finance Department did not develop assumptions or separately project the primary factors that would impact the cost of employee wages and benefits, such as current staffing levels, negotiated wage increases, overtime, contractual step increases and stipends (longevity, uniform allowances), the cost of payroll-related benefits (i.e., retirement, Medicare, and workers compensation costs), or the health insurance program.

  Using the historical average annual change in total personal services as the primary method for projecting personal service expenditures increases the risk of an inaccurate forecast because the average annual change can be skewed by staffing changes and other unusual fluctuations within the specific components comprising personal services (e.g., health care costs). Additionally, this forecast methodology can produce results which are inconsistent between the divisions. For example, based on the historical fluctuations, personal services for the Municipal Court are projected to increase 0.8 percent throughout the forecast period while the Finance Division increases 3.0 percent, the Law Division increases 3.6 percent, the Fire Division increases 7.0 percent, and the Information Systems Division increases 10.6 percent. The notes to the forecast do not explain the causes of these variances.

- **Operating:** This line-item is comprised of supplies, materials, purchased services, utility costs, and various other expenditures, which represent approximately 19 percent of the proposed General Fund budget for 2008. The Finance Department assumed that each division's total operating expenditures would increase three percent annually throughout the forecast period. However, the notes to the forecast do not indicate how the projection was determined. Due to the large fluctuations in each division's historical operating costs (see **R1.1**), explanations would assist the reader of the forecast in determining the basis and reasonableness of the assumption. Despite the lack of note disclosures, the Finance Department's overall assumption appears reasonable. For example, the total operating budget for the entire General Fund (all divisions) increased an average annual rate of 1.6 percent between 2005 and 2007, which is indicative of the City limiting its discretionary spending in response to the current financial difficulties.

- **Capital Outlay:** This line-item is comprised of equipment purchases that are not financed through leases or other debt arrangements. The City's capital outlay expenditures represent less than one percent of the proposed General Fund budget in 2008 (see **Table 1-1**). However, in response to current financial difficulties, the Finance Department subsequently assumed that the City would not make any capital outlay expenditures throughout the entire forecast period, including 2008 (see **Table 1-2**). This assumption is inconsistent with the historical trends. For example, total General Fund capital outlay expenditures equaled $214,308 in 2005, $122,709 in 2006, and $48,206 in 2007. The historical trends show that while the City was able to limit its capital outlay expenditures in response to the current financial difficulties, it has not been able to eliminate them altogether. Additionally, while this line-item is immaterial to the overall forecast, including some estimate of future capital outlay expenditures would likely improve the reliability of the forecast.

- **Transfers-Out:** The City's transfers-out represent General Fund monies that are moved to other funds to help support specific programs or obligations. In 2008, the City estimated that total transfers-out would increase 20 percent (approximately $2.6 million) and support operations for the Department of Aging, Workers Compensation, Winterhurst Ice Rink, Lakewood Hospital, and the Parking Facilities Funds. The Finance Department also assumed that 2009 transfers-out would decrease 10 percent (approximately $2.3 million) and then increase 3.0 percent annually thereafter. These assumptions are inconsistent with the City's historical trends. For example, the City's transfers-out increased nearly 8.0 percent annually from 2003 through 2007. In addition, the forecast notes do not include explanations for the projected fluctuations in 2008 and 2009 or the deviation from the historical trends for 2009 through 2013.

Regardless of the inconsistency with historical trends, the City's transfers-out largely depend on legal requirements (grant obligations), the policies of the Mayor and City Council, and activity in other funds; all of which can be controlled to some degree by the City. As a result, the 3.0 percent growth rate from 2009 through 2013 could be reasonable if the City makes future programmatic changes that would lessen the burden on the General Fund. However, including an explanation of the transfers and specific program modifications in the notes to the forecast would assist the reader in determining the basis and reasonableness of the assumption, and the future direction of the City.

The American Institute of Certified Public Accountant's (AICPAs) *Guide for Preparing Prospective Financial Information* (AICPA, 2006) indicates that in analyzing alternative assumptions, care should be exercised to assess the situation objectively. Relating assumptions to past conditions is often a useful approach for checking reasonableness; however, trends are not necessarily reliable indicators of the future. Particular attention should be given to the possibility of changes in conditions, which must rest mainly on theory and an understanding of the basic causal factors. Additionally, the AICPA recommends the following to help ensure the reliability of financial forecasts:

- Key factors should be identified as a basis for assumptions.

- Assumptions used in preparing the financial forecasts should be appropriate and include the following components: market surveys, general economic indicators, trends and patterns developed from the entity's operating history (historical trends), and internal data analysis (union contracts and labor rates).

- The process used to develop financial forecasts should provide adequate documentation of both the financial forecast and the process used to develop them. Documentation should also include recording the underlying assumptions as well as summarizing the supporting evidence for the assumptions. As a result of well supported documentation, users can trace forecasted results back to the support for the basic underlying assumptions.

By considering the above assessments and information from AICPA, the City would enable readers to clearly understand the basis of its projections and strengthen the methodology used to develop the forecast. This, in turn, would help improve the reliability of the projections.

R1.4 Prior to implementing the recommendations in the SBTFR, the City should consider taking the steps outlined in the AOS analysis to gain additional assurance that the recommendations are valid and will generate the projected results. These recommendations pertain to station adjustments and administrative staffing in the Fire Department, outsourcing groundskeeping in the Division of Parks and Public Property, recycling and service levels in the Refuse Division, services levels in the Department of Aging, animal control in the Department of Human Services, staffing in the Police Department, and outsourcing the cleaning function at City Hall.

As previously noted, the City created the Structural Balance Task Force Committee (the Committee) to complete an efficiency review of various departments and issues, in response to its current financial difficulties. The Committee consisted of eight professionals that reside in the City with various levels of educational and professional experience. The Committee convened from March to September (2007) and formally issued the Structural Balance Task Force Report (SBTFR) on November 15, 2008. The SBTFR identifies recommendations that are estimated to save the City approximately $4.2 million annually. AOS reviewed the report and determined that the logic, documentation, and methodology supporting the recommendations generally appear reasonable. However, the City could gain additional assurance as to the outcome of certain recommendations by reviewing more information. These recommendations and the additional actions that should be considered are summarized below:

Fire Department

- ***Station Adjustments**:* The SBTFR proposes two scenarios that involve reducing staffing levels and/or overtime costs by being more flexible with staffing assignments. For example, the SBTFR recommends that at a minimum, the City should reduce the staffing and use of the Kenilworth Station as it only receives 20 percent of the EMS and 25 percent of the fire calls for service. The City staffs the Kenilworth Station with four firefighters and two EMS technicians each day, which allows the City to fully staff the fire engine and EMS vehicle. The STBFR proposes to minimally staff the Kenilworth Station each day to allow for a first response to calls for Fire or EMS service, but not to both simultaneously (2 to 6 firefighters, depending on the day and projected demand). Under the SBTFR proposal, one of the other two fire stations would need to respond if there are simultaneous Fire and EMS calls for service in the area served by the Kenilworth Station. The SBTFR estimates that this scenario would save the City approximately $750,000 in overtime and staffing costs. The SBTFR proposes a second scenario that would save approximately $2.0 million annually. This is based on eliminating overtime, 12 firefighters, 6 EMS technicians, and selling equipment, and requires the City to fully staff the Madison Avenue Station and minimally staff the Goldcoast and Kenilworth Stations.

Overall, the SBTFR's recommendation to review the stations and the staffing levels based on historical and projected demand appears reasonable. However, the SBTFR did not disclose the methodology used to calculate the projected savings ($750,000 to $2.0 million) or the proposed level of staffing reductions. Reviewing the methodology behind these calculations and considering other relevant workload measures (firefighters per capita, calls per firefighter, cost per call for service, response times by station, projected population density by station) would help the City determine appropriate staffing levels, uses for stations, and future assignments.

- ***Administrative Staffing***: The SBTFR indicates that the City should consider adding an administrative resource to the Fire Chief's staff. However, the SBTFR did not disclose the analysis used to justify the need for additional staff. Using objective workload measures similar to those noted above would also help the City determine the appropriateness of its administrative staffing levels.

Division of Parks and Public Property

- ***Outsourcing*:** The SBTFR recommends that the City consider outsourcing the groundskeeping function for the City's parks and other public properties. This is estimated to save the City approximately $160,000 annually and is based on two price quotes submitted by area contractors. However, according to the SBTFR, the City's Director of Public Works did not provide the information necessary to determine an exact cost of the City's in-house groundskeeping function. As such, the SBTFR developed numerous assumptions (i.e., cost per employee, hours worked, park acreage, etc.) and determined that the City's estimated costs for maintaining the parks were significantly higher than the projected cost of outsourcing.

  While the recommendation to consider outsourcing appears reasonable, comparing the price quotes to actual information provided by the Division of Parks and Public Property would provide the City with additional assurance that outsourcing will be cost effective and will provide similar levels of service. Additionally, reviewing alternative staffing arrangements, such as employing a minimum number of full-time employees and hiring part-time workers during the growing season or sharing employees with other divisions during the non-growing season, may also significantly improve the cost efficiency of the in-house operation.

Refuse Division

- ***Improve Recycling***: The SBTFR recommends that the City take action to improve the amount of recycling, which is estimated to increase General Fund revenues by $189,000 annually. However, the SBTFR does not disclose the assumptions or methodology used to estimate the additional revenues. Additionally, while the SBTFR acknowledges that the City will likely have to advertise and educate citizens about the recycling program, it is not apparent that these costs have been factored into the projected revenue increase ($189,000). Reviewing the methodology used to calculate the projected revenue increase and considering the additional costs of advertising would help ensure that the City has considered all relevant factors before taking action to implement this recommendation.

- ***Revise Service Levels***: The SBTFR indicates that the most aggressive reduction that can be made in the Refuse Division would be to eliminate the backyard refuse collection. Under this proposal, the City would require citizens to place their refuse on the curb for collection instead of at the back of their driveways. However, the SBTFR indicates there could be several drawbacks to this option, including the possibility that the City's high rental population will not comply with this system and the high level of street parking within the City could interfere with collection efforts. The SBTFR indicates that if the City eliminated the backyard collection program, the estimated savings would range from $300,000 to $600,000 annually. However, the SBTFR does not disclose how this savings was determined. Reviewing the methodology used to calculate the projected savings and identifying the specific number of staff and equipment that can be reduced through the program modification would provide the City with additional assurance that it will realize the projected savings. Additionally, discussing this issue with other municipalities that have implemented curbside collections would provide the City with additional benchmarking information that could be used in making a final decision.

Department of Aging

- ***Revise Service Levels:*** The SBTFR recommends that the City review the service levels provided by the Department of Aging (low cost transportation for senior citizens, home health care, nutrition planning, recreational programs and activities, etc) in an effort to reduce the General Fund subsidy by $988,000. The SBTFR links this recommendation to the City providing more services than surrounding cities, which has resulted in higher operating costs. However, many of these programs are partially funded through Federal and State grants. Reviewing the grant requirements for each specific program would ensure that the City does not lose future grant monies as a result of the revisions. Additionally, developing a citizen survey that includes a variety of cost sharing options, such as keeping the current services but charging some fees, would provide the City with several alternatives to consider before making a final decision.

Department of Human Services

- ***Animal Control:*** The City uses three full-time employees to provide animal control services (pet adoption, nuisance animal trappings, enforcing animal ordinances). Based on comparisons to the cities of Euclid, Garfield Heights, Rocky River and Shaker Heights, the SBTFR recommends that the City either close the animal shelter and reduce one full-time employee or outsource the animal control function to a private vendor. The SBTFR estimates that closing the animal shelter and reducing one FTE would save approximately $63,000 annually, while outsourcing this function would save approximately $150,000 annually.

  Although the overall recommendations appear reasonable, the SBTFR does not indicate the corresponding impact of closing the animal shelter on the City's current functions or indicate the responsibilities of the remaining employees. Resolving these issues would help ensure the City is efficiently using the remaining staff and that the projected savings are realistic. Similarly, the SBTFR based the estimated savings from outsourcing this function on the annual costs incurred by the City of Shaker Heights. However, the City of Shaker Heights is smaller in population (29,000) and is limited by contract to a fixed number of calls for service each year. Obtaining price quotes from vendors using the City's historical service levels and demographics would provide a more accurate cost estimate to use in making a final decision. However, the City would also need to ensure that the proposals stipulate all costs of the contract, specific services to be provided, where the animals are kept if there is no animal shelter, and any extra costs the City could incur by exceeding the contractual limit on calls for service.

Police Department

- ***Staffing:*** The SBTFR concludes that the Police Department staffing levels are adequate and crime is declining in the City; however, it does not provide objective support for these statements. Analyzing the staffing levels using objective workload measures (see Fire Department above) and actual crime rate statistics would provide the City with additional assurance that the staffing levels are appropriate.

Cleaning Function

- ***Outsourcing:*** The SBTFR recommends the City consider outsourcing the cleaning activities for the City Hall building. The SBTFR indicates that the City could save approximately $38,000 by outsourcing this function based on a price quote supplied by one vendor. However, this price quote assumes that the City Hall building would only need to be cleaned three days a week. Establishing minimum service levels and obtaining additional price quotes would better ensure that contracting for cleaning services will be cost effective and provide a level of service similar to the in-house cleaning staff.

CLIENT RESPONSE

Client Response

The letter that follows is the City's official response to the performance audit. Throughout the audit process, staff met with City officials to ensure substantial agreement on the factual information presented in the report. When the City disagreed with information contained in the report and provided supporting documentation, appropriate revisions were made.

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Jennifer R. Pae
Director of Finance

March 20, 2008

Mary Taylor, CPA
Auditor of State
Office of the Auditor of the State of Ohio
88 E. Broad Street
Columbus, OH 43215

Dear Auditor Taylor,

On behalf of Mayor Edward FitzGerald and Council President Michael Dever, I would like to thank the audit team led by Mate Rogonjic, William Rouse and Danielle Lorenz for their hard work in completing Phase 1 of the City of Lakewood Performance Audit.

In November 2007, the City of Lakewood Finance Department projected over a $4.5 million 2008 General Fund operating deficit. The projection assumed that the City would continue to provide services at the same level it had over the past several years without any growth in programs or staffing levels.

The new Administration felt it was imperative that an outside, independent entity examine these projections, and the City elected to engage the services of the State of Ohio Office of the Auditor Performance Audit Section to test the reasonableness of these projections within the first month that Mayor FitzGerald took office.

Not only did the audit team meet the deadlines, they exceeded our expectations in the detailed level of their testing. Their assessment was imperative to instill confidence for the community in the budget projections, but even more so in order to reopen negotiations with the City's collective bargaining units to discuss potential concessions.

We look forward to further working with the State Auditor's Office as we embark on Phase 2 of the City of Lakewood Performance Audit.

Sincerely,

Jennifer R. Pae
Director of Finance
City of Lakewood

Cc: Mayor Edward FitzGerald
Council President Michael Dever

Auditor of State
Mary Taylor, CPA

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