



**CITY OF EASTLAKE  
LAKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



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

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**STATE OF OHIO**



**CITY OF EASTLAKE  
LAKE COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Eastlake, Lake County, Ohio, (the City) as of and for the year ended December 31, 2001 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 auditing standards generally accepted in the United States of America 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, 2001 and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 in the Notes to the General Purpose Financial Statements, the City adopted Governmental Accounting Statement, Nos. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2002 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.

We performed our audit to form an opinion on the general-purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

**Jim Petro**  
Auditor of State

August 9, 2002

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CITY OF EASTLAKE  
LAKE COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED DECEMBER 31, 2001

|  | GOVERNMENTAL FUND TYPES |                       |                    |                        | PROPRIETARY FUND TYPE |                        | FIDUCIARY FUND TYPES |                      | ACCOUNT GROUPS           |                          |  |
|--|-------------------------|-----------------------|--------------------|------------------------|-----------------------|------------------------|----------------------|----------------------|--------------------------|--------------------------|--|
|  | General Fund            | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Enterprise Fund       | Expendable             |                      | General Fixed Assets | General Term Obligations | Totals (Memorandum Only) |  |
|  |                         |                       |                    |                        |                       | Trust and Agency Funds | Agency Funds         |                      |                          |                          |  |
| <b>ASSETS AND OTHER DEBITS:</b>                |                         |                       |                    |                        |                       |                        |                      |                      |                          |                          |  |
| ASSETS:  |                         |                       |                    |                        |                       |                        |                      |                      |                          |                          |  |
| Cash and Cash Equivalents                      | \$ 137,709              | \$ 229,603            | \$ 290,378         | \$ 610,599             | \$ 92,612             | \$ 499,376             | \$ -                 | \$ -                 | \$ -                     | \$ 1,860,277             |  |
| Investments                                    | 17,000                  | -                     | -                  | -                      | -                     | -                      | -                    | -                    | -                        | 17,000                   |  |
| Receivables:                                   |                         |                       |                    |                        |                       |                        |                      |                      |                          |                          |  |
| Taxes  | 2,874,756               | 315,902               | 1,404,257          | 1,539,072              | -                     | -                      | -                    | -                    | -                        | 6,133,987                |  |
| Accounts                                       | 151,506                 | -                     | -                  | -                      | 417,858               | -                      | -                    | -                    | -                        | 569,364                  |  |
| Special Assessments                            | -                       | -                     | 364,345            | -                      | -                     | -                      | -                    | -                    | -                        | 364,345                  |  |
| Due from Other Governments                     | 1,185,691               | 392,711               | 86,543             | 850,965                | -                     | -                      | -                    | -                    | -                        | 2,515,910                |  |
| Prepaid Items                                  | 54,156                  | 21,660                | -                  | 288                    | 30                    | 30                     | -                    | -                    | -                        | 76,164                   |  |
| Restricted Assets:                             |                         |                       |                    |                        |                       |                        |                      |                      |                          |                          |  |
| Cash with Fiscal Agent                         | -                       | -                     | 10,823             | -                      | -                     | -                      | -                    | -                    | -                        | 10,823                   |  |
| Inventory of Supplies                          | 33,542                  | 76,389                | -                  | -                      | 3,318                 | -                      | -                    | -                    | -                        | 113,249                  |  |
| Fixed Assets (Net of Accumulated Depreciation) | -                       | -                     | -                  | -                      | 2,435,934             | -                      | -                    | 21,491,395           | -                        | 23,927,329               |  |
| Other Debits:                                  |                         |                       |                    |                        |                       |                        |                      |                      |                          |                          |  |
| Amount Available in Debt Service Funds         | -                       | -                     | -                  | -                      | -                     | -                      | -                    | -                    | 290,378                  | 290,378                  |  |
| Amount to be Provided for                      | -                       | -                     | -                  | -                      | -                     | -                      | -                    | -                    | -                        | -                        |  |
| General Long - Term Obligations                | -                       | -                     | -                  | -                      | -                     | -                      | -                    | -                    | 7,613,398                | 7,613,398                |  |
| <b>TOTAL ASSETS &amp; OTHER DEBITS:</b>        | \$ 4,454,360            | \$ 1,036,265          | \$ 2,156,346       | \$ 3,000,924           | \$ 2,949,752          | \$ 499,406             | \$ 21,491,395        | \$ 7,903,776         | \$ 43,492,224            |                          |  |

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, 2001

|   | GOVERNMENTAL FUND TYPES |                       |                     |                        | PROPRIETARY FUND TYPE |                                   | FIDUCIARY FUND TYPES |                      | ACCOUNT GROUPS           |                          |  |
|---|-------------------------|-----------------------|---------------------|------------------------|-----------------------|-----------------------------------|----------------------|----------------------|--------------------------|--------------------------|--|
|   | General Fund            | Special Revenue Funds | Debt Service Funds  | Capital Projects Funds | Enterprise Fund       | Expendable Trust and Agency Funds |                      | General Fixed Assets | General Term Obligations | Totals (Memorandum Only) |  |
|   |                         |                       |                     |                        |                       |                                   |                      |                      |                          |                          |  |
| <b>LIABILITIES, EQUITY &amp; OTHER CREDITS:</b>     |                         |                       |                     |                        |                       |                                   |                      |                      |                          |                          |  |
| <b>LIABILITIES:</b>                                 |                         |                       |                     |                        |                       |                                   |                      |                      |                          |                          |  |
| Accounts Payable                                    | \$ 318,325              | \$ 37,220             | \$ -                | \$ 187,808             | \$ 3,502              | \$ 27,415                         | \$ -                 | \$ -                 | \$ -                     | \$ 574,270               |  |
| Accrued Wages and Benefits                          | 317,288                 | 8,730                 | -                   | -                      | 12,705                | -                                 | -                    | -                    | -                        | 338,723                  |  |
| Due to Other Governments                            | 217,007                 | 245,941               | -                   | -                      | 14,492                | -                                 | -                    | -                    | -                        | 477,440                  |  |
| Due to Others                                       | -                       | -                     | -                   | -                      | -                     | 149,717                           | -                    | -                    | -                        | 149,717                  |  |
| Deferred Revenue                                    | 2,791,815               | 609,244               | 1,855,145           | 2,030,359              | -                     | -                                 | -                    | -                    | -                        | 7,286,563                |  |
| Matured Bonds and Interest Payable                  | -                       | -                     | 10,823              | -                      | -                     | -                                 | -                    | -                    | -                        | 10,823                   |  |
| Compensated Absences Payable                        | -                       | -                     | -                   | -                      | 26,130                | -                                 | -                    | 1,283,734            | -                        | 1,309,864                |  |
| Notes Payable                                       | -                       | -                     | -                   | 6,530,000              | -                     | -                                 | -                    | -                    | -                        | 6,530,000                |  |
| General Obligation Bonds                            | -                       | -                     | -                   | -                      | -                     | -                                 | -                    | 5,895,000            | -                        | 5,895,000                |  |
| Special Assessment Bonds                            | -                       | -                     | -                   | -                      | -                     | -                                 | -                    | 17,000               | -                        | 17,000                   |  |
| Capital Leases Payable                              | -                       | -                     | -                   | -                      | -                     | -                                 | -                    | 48,010               | -                        | 48,010                   |  |
| OPWC Loan Payable                                   | -                       | -                     | -                   | -                      | -                     | -                                 | -                    | 262,591              | -                        | 262,591                  |  |
| Honeywell Project Loan                              | -                       | -                     | -                   | -                      | -                     | -                                 | -                    | 397,441              | -                        | 397,441                  |  |
| <b>TOTAL LIABILITIES:</b>                           | <b>3,644,435</b>        | <b>901,135</b>        | <b>1,865,968</b>    | <b>8,748,167</b>       | <b>56,829</b>         | <b>177,132</b>                    | <b>-</b>             | <b>7,903,776</b>     | <b>-</b>                 | <b>23,297,442</b>        |  |
| <b>EQUITY &amp; OTHER CREDITS:</b>                  |                         |                       |                     |                        |                       |                                   |                      |                      |                          |                          |  |
| Investment in General Fixed Assets                  | -                       | -                     | -                   | -                      | -                     | -                                 | 21,491,395           | -                    | -                        | 21,491,395               |  |
| Contributed Capital                                 | -                       | -                     | -                   | -                      | 8,382,073             | -                                 | -                    | -                    | -                        | 8,382,073                |  |
| Retained Earnings - Unreserved                      | -                       | -                     | -                   | -                      | (5,489,150)           | -                                 | -                    | -                    | -                        | (5,489,150)              |  |
| <b>Fund Balances:</b>                               |                         |                       |                     |                        |                       |                                   |                      |                      |                          |                          |  |
| Reserve for Encumbrances                            | 20,551                  | 2,859                 | -                   | 271                    | -                     | -                                 | -                    | -                    | -                        | 23,681                   |  |
| Reserve for Prepaid Items                           | 54,156                  | 21,660                | -                   | 288                    | -                     | -                                 | -                    | -                    | -                        | 76,104                   |  |
| Reserve for Inventory of Supplies                   | 33,542                  | 76,389                | -                   | -                      | -                     | -                                 | -                    | -                    | -                        | 109,931                  |  |
| Unreserved:   |                         |                       |                     |                        |                       |                                   |                      |                      |                          |                          |  |
| Designated for Debt Service                         | -                       | -                     | 290,378             | -                      | -                     | -                                 | -                    | -                    | -                        | 290,378                  |  |
| Undesignated  | 701,676                 | 34,222                | -                   | (5,747,802)            | -                     | 322,274                           | -                    | -                    | -                        | (4,689,630)              |  |
| <b>TOTAL EQUITY &amp; OTHER CREDITS:</b>            | <b>809,925</b>          | <b>135,130</b>        | <b>290,378</b>      | <b>(5,747,243)</b>     | <b>2,892,923</b>      | <b>322,274</b>                    | <b>21,491,395</b>    | <b>-</b>             | <b>-</b>                 | <b>20,194,782</b>        |  |
| <b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS:</b> | <b>\$ 4,454,360</b>     | <b>\$ 1,036,265</b>   | <b>\$ 2,156,346</b> | <b>\$ 3,000,924</b>    | <b>\$ 2,949,752</b>   | <b>\$ 499,406</b>                 | <b>\$ 21,491,395</b> | <b>\$ 7,903,776</b>  | <b>\$ -</b>              | <b>\$ 43,492,224</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 TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001

GOVERNMENTAL FUND TYPES

|   | General<br>Fund    | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Capital<br>Projects<br>Funds | Expendable<br>Trust<br>Funds | Totals<br>(Memorandum<br>Only) |
|---|--------------------|-----------------------------|--------------------------|------------------------------|------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                    |                             |                          |                              |                              |                                |
| Property Taxes  | \$ 1,633,869       | \$ 297,576                  | \$ 1,448,197             | \$ 1,424,112                 | \$ -                         | \$ 4,803,754                   |
| Municipal Income Taxes  | 8,160,889          | -                           | -                        | -                            | -                            | 8,160,889                      |
| State Levied Shared Taxes   | 1,836,768          | 659,014                     | 154,127                  | 58,602                       | -                            | 2,708,511                      |
| Other Local Taxes   | 315,358            | -                           | -                        | 66,184                       | -                            | 381,542                        |
| Intergovernmental Revenues  | 187,502            | 189,351                     | -                        | 3,373,610                    | -                            | 3,750,463                      |
| Charges for Services  | 122,361            | -                           | -                        | 25,262                       | 18,100                       | 165,723                        |
| Licenses and Permits  | 223,346            | -                           | -                        | -                            | -                            | 223,346                        |
| Fines and Forfeitures   | 227,087            | 38,668                      | -                        | -                            | -                            | 265,755                        |
| Special Assessments   | -                  | -                           | 20,470                   | 24,302                       | -                            | 44,772                         |
| Investment Earnings   | 120,882            | 1,545                       | -                        | 65,013                       | -                            | 187,440                        |
| All Other Revenues  | 49,814             | -                           | -                        | 72,028                       | 6,715                        | 128,557                        |
| <b>Total Revenues</b>   | <b>12,877,876</b>  | <b>1,186,154</b>            | <b>1,622,794</b>         | <b>5,109,113</b>             | <b>24,815</b>                | <b>20,820,752</b>              |
| <b>EXPENDITURES</b>   |                    |                             |                          |                              |                              |                                |
| <b>Current:</b>   |                    |                             |                          |                              |                              |                                |
| Security of Persons and Property  | 5,966,322          | 834,698                     | -                        | -                            | 9,400                        | 6,810,420                      |
| Public Health and Welfare Services  | 150,597            | -                           | -                        | -                            | -                            | 150,597                        |
| Leisure Time Activities   | 1,708,519          | 165,162                     | -                        | -                            | 42,473                       | 1,916,154                      |
| Personal Services   | -                  | -                           | -                        | -                            | -                            | -                              |
| Contractual Services  | -                  | -                           | -                        | -                            | -                            | -                              |
| Material & Supp/Inv Reserve   | -                  | -                           | -                        | -                            | -                            | -                              |
| Community Environment   | 359,363            | -                           | -                        | -                            | -                            | 359,363                        |
| Basic Utility Services  | 587,365            | -                           | -                        | -                            | -                            | 587,365                        |
| Transportation  | 1,341,560          | 785,342                     | -                        | -                            | -                            | 2,126,902                      |
| General Government  | 3,179,626          | -                           | 18,127                   | -                            | 3,750                        | 3,201,503                      |
| Capital Outlay  | 283,371            | 49,628                      | -                        | 9,642,551                    | -                            | 9,975,550                      |
| <b>Debt Service:</b>  |                    |                             |                          |                              |                              |                                |
| Principal Retirement  | -                  | -                           | 981,400                  | 29,291                       | -                            | 1,010,691                      |
| Interest and Fiscal Charges   | -                  | -                           | 720,230                  | 10,600                       | -                            | 730,830                        |
| Depreciation  | -                  | -                           | -                        | -                            | -                            | -                              |
| Other Expenditures  | -                  | -                           | -                        | -                            | -                            | -                              |
| <b>Total Expenditures</b>   | <b>13,576,723</b>  | <b>1,834,830</b>            | <b>1,719,757</b>         | <b>9,682,442</b>             | <b>55,623</b>                | <b>26,869,375</b>              |
| <b>Excess (Deficiency) of Revenues</b>  |                    |                             |                          |                              |                              |                                |
| Over Expenditures   | (698,847)          | (648,676)                   | (96,963)                 | (4,573,329)                  | (30,808)                     | (6,048,623)                    |
| <b>Other Financing Sources (Uses):</b>  |                    |                             |                          |                              |                              |                                |
| Proceeds of Loans   | 11,850             | -                           | 9,829                    | -                            | -                            | 21,679                         |
| Operating Transfers-In  | -                  | 350,300                     | -                        | -                            | -                            | 350,300                        |
| Operating Transfers-Out   | (350,300)          | -                           | -                        | -                            | -                            | (350,300)                      |
| Other Financing Sources   | 10,973             | 1,175                       | 55,500                   | -                            | 69,683                       | 137,331                        |
| Other Financing Uses  | (2,887)            | -                           | -                        | -                            | (706)                        | (3,593)                        |
| <b>Total Other Financing Sources and (Uses)</b>   | <b>(330,364)</b>   | <b>351,475</b>              | <b>65,329</b>            | <b>-</b>                     | <b>68,977</b>                | <b>155,417</b>                 |
| <b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses</b> | <b>(1,029,211)</b> | <b>(297,201)</b>            | <b>(31,634)</b>          | <b>(4,573,329)</b>           | <b>38,169</b>                | <b>(5,893,206)</b>             |
| <b>Fund Balance, Beginning of Year (Restated)</b>   | <b>1,840,233</b>   | <b>432,331</b>              | <b>322,012</b>           | <b>(1,173,914)</b>           | <b>284,105</b>               | <b>1,704,767</b>               |
| <b>Increase/(Decrease) in Inventory Reserve</b>   | <b>(1,097)</b>     | <b>-</b>                    | <b>-</b>                 | <b>-</b>                     | <b>-</b>                     | <b>(1,097)</b>                 |
| <b>Fund Balance, End of Year</b>  | <b>\$ 809,925</b>  | <b>\$ 135,130</b>           | <b>\$ 290,378</b>        | <b>\$ (5,747,243)</b>        | <b>\$ 322,274</b>            | <b>\$ (4,189,536)</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 - BUDGET AND ACTUAL (NON-GAAP) BUDGETARY BASIS -  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001

|  | GENERAL FUND      |                   |   | SPECIAL REVENUE FUNDS |                   |   |
|--|-------------------|-------------------|---|-----------------------|-------------------|---|
|  | Revised<br>Budget | Actual            | Variance:<br>Favorable<br>(Unfavorable) | Revised<br>Budget     | Actual            | Variance:<br>Favorable<br>(Unfavorable) |
| <b>REVENUES:</b>   |                   |                   |   |                       |                   |   |
| Property Taxes   | \$ 1,727,226      | \$ 1,633,869      | \$ (93,357)                             | \$ 316,942            | \$ 297,576        | \$ (19,366)                             |
| Municipal Income Tax   | 8,300,000         | 7,470,557         | (829,443)                               | -                     | -                 | -                                       |
| State Levied Shared Taxes  | 3,270,000         | 2,654,536         | (615,464)                               | 667,506               | 661,370           | (6,136)                                 |
| Other Local Taxes  | 185,000           | 161,983           | (23,017)                                | -                     | -                 | -                                       |
| Intergovernmental Revenues   | 213,000           | 189,339           | (23,661)                                | 204,940               | 193,783           | (11,157)                                |
| Charges for Services   | 148,000           | 121,815           | (26,185)                                | -                     | -                 | -                                       |
| Licenses & Permits   | 276,500           | 223,440           | (53,060)                                | -                     | -                 | -                                       |
| Fines & Forfeitures  | 276,293           | 230,253           | (46,040)                                | 19,700                | 38,669            | 18,969                                  |
| Special Assessments  | -                 | -                 | -                                       | -                     | -                 | -                                       |
| Investment Earnings  | 190,000           | 120,882           | (69,118)                                | 900                   | 1,545             | 645                                     |
| All Other Revenues   | 86,000            | 53,325            | (32,675)                                | -                     | -                 | -                                       |
| <b>Total Revenues</b>  | <b>14,672,019</b> | <b>12,859,999</b> | <b>(1,812,020)</b>                      | <b>1,209,988</b>      | <b>1,192,943</b>  | <b>(17,045)</b>                         |
| <b>EXPENDITURES:</b>   |                   |                   |   |                       |                   |   |
| Security of Persons and Property   | 6,296,233         | 5,919,705         | 376,528                                 | 873,762               | 798,199           | 75,563                                  |
| Public Health and Welfare Services   | 151,000           | 150,597           | 403                                     | -                     | -                 | -                                       |
| Leisure Time Activities  | 1,763,150         | 1,694,798         | 68,352                                  | 165,172               | 165,162           | 10                                      |
| Community Environment  | 435,655           | 353,623           | 82,032                                  | -                     | -                 | -                                       |
| Basic Utility Services   | 666,000           | 596,478           | 69,522                                  | -                     | -                 | -                                       |
| Transportation   | 1,304,980         | 1,262,312         | 42,668                                  | 878,340               | 877,479           | 861                                     |
| General Government   | 3,588,610         | 3,148,801         | 439,809                                 | -                     | -                 | -                                       |
| Capital Outlay   | 379,604           | 286,538           | 93,066                                  | 18,060                | 18,060            | -                                       |
| Debt Service:  |                   |                   |   |                       |                   |   |
| Principal Retirement   | -                 | -                 | -                                       | -                     | -                 | -                                       |
| Interest and Fiscal Charges  | -                 | -                 | -                                       | -                     | -                 | -                                       |
| <b>Total Expenditures</b>  | <b>14,585,232</b> | <b>13,412,852</b> | <b>1,172,380</b>                        | <b>1,935,334</b>      | <b>1,858,900</b>  | <b>76,434</b>                           |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | 86,787            | (552,853)         | (639,640)                               | (725,346)             | (665,957)         | 59,389                                  |
| <b>OTHER FINANCING SOURCES (USES):</b>   |                   |                   |   |                       |                   |   |
| Proceeds of Notes  | 25,000            | 11,850            | (13,150)                                | -                     | -                 | -                                       |
| Proceeds of Loans  | -                 | -                 | -                                       | -                     | -                 | -                                       |
| Sale Of Assets   | -                 | -                 | -                                       | -                     | -                 | -                                       |
| Operating Transfers-In   | 25,000            | 9,800             | (15,200)                                | 400,500               | 350,300           | (50,200)                                |
| Operating Transfers-(Out)  | (565,500)         | (360,100)         | 205,400                                 | -                     | -                 | -                                       |
| Other Financing Sources  | 27,500            | 10,973            | (16,527)                                | 250                   | 1,175             | 925                                     |
| Other Financing (Uses)   | (35,635)          | (2,887)           | 32,748                                  | -                     | -                 | -                                       |
| <b>Total Other Financing Sources<br/>(Uses)</b>  | <b>(523,635)</b>  | <b>(330,364)</b>  | <b>193,271</b>                          | <b>400,750</b>        | <b>351,475</b>    | <b>(49,275)</b>                         |
| Excess (Deficiency) of Revenues<br>and Other Financing Sources Over<br>Expenditures and Other Uses | (436,848)         | (883,217)         | (446,369)                               | (324,596)             | (314,482)         | 10,114                                  |
| Fund Balance, Beginning of Year  | 988,950           | 988,950           | -                                       | 532,417               | 532,417           | -                                       |
| Prior Year Encumbrances  | 28,425            | 28,425            | -                                       | 8,809                 | 8,809             | -                                       |
| <b>Fund Balance, End of Year</b>   | <b>\$ 580,527</b> | <b>\$ 134,158</b> | <b>\$ (446,369)</b>                     | <b>\$ 216,630</b>     | <b>\$ 226,744</b> | <b>\$ 10,114</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) |
| \$ 1,542,445       | \$ 1,448,197      | \$ (94,248)                       | \$ 1,499,415           | \$ 1,424,112      | \$ (75,303)                       |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| 221,235            | 154,127           | (67,108)                          | 46,918                 | 58,602            | 11,684                            |
| -                  | -                 | -                                 | 66,500                 | 66,436            | (64)                              |
| -                  | -                 | -                                 | 2,829,862              | 3,017,845         | 187,983                           |
| -                  | -                 | -                                 | 25,262                 | 25,262            | -                                 |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| 12,000             | 20,470            | 8,470                             | -                      | 24,302            | 24,302                            |
| -                  | -                 | -                                 | 65,013                 | 65,013            | -                                 |
| -                  | -                 | -                                 | 72,209                 | 72,028            | (181)                             |
| <u>1,775,680</u>   | <u>1,622,794</u>  | <u>(152,886)</u>                  | <u>4,605,179</u>       | <u>4,753,600</u>  | <u>148,421</u>                    |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| 178,505            | 18,127            | 160,378                           | -                      | -                 | -                                 |
| -                  | -                 | -                                 | 10,207,690             | 10,026,818        | 180,872                           |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| 1,162,770          | 981,400           | 181,370                           | 4,246,910              | 4,229,291         | 17,619                            |
| 811,290            | 720,230           | 91,060                            | 10,600                 | 10,600            | -                                 |
| <u>2,152,565</u>   | <u>1,719,757</u>  | <u>432,808</u>                    | <u>14,465,200</u>      | <u>14,266,709</u> | <u>198,491</u>                    |
| (376,885)          | (96,963)          | 279,922                           | (9,860,021)            | (9,513,109)       | 346,912                           |
| -                  | 9,829             | 9,829                             | 5,550,000              | 5,550,000         | -                                 |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| -                  | -                 | -                                 | 60,000                 | 60,000            | -                                 |
| -                  | -                 | -                                 | (60,000)               | (60,000)          | -                                 |
| 60,000             | 55,500            | (4,500)                           | -                      | -                 | -                                 |
| -                  | -                 | -                                 | -                      | -                 | -                                 |
| <u>60,000</u>      | <u>65,329</u>     | <u>5,329</u>                      | <u>5,550,000</u>       | <u>5,550,000</u>  | <u>-</u>                          |
| (316,885)          | (31,634)          | 285,251                           | (4,310,021)            | (3,963,109)       | 346,912                           |
| 322,012            | 322,012           | -                                 | 3,894,661              | 3,894,661         | -                                 |
| -                  | -                 | -                                 | 678,776                | 678,776           | -                                 |
| <u>\$ 5,127</u>    | <u>\$ 290,378</u> | <u>\$ 285,251</u>                 | <u>\$ 263,416</u>      | <u>\$ 610,328</u> | <u>\$ 346,912</u>                 |

| EXPENDABLE TRUST FUNDS |                   |                  |               | TOTALS (MEMORANDUM ONLY) |                     |                    |               |
|------------------------|-------------------|------------------|---------------|--------------------------|---------------------|--------------------|---------------|
| Revised                |                   | Variance:        |               | Revised                  |                     | Variance:          |               |
| Budget                 | Actual            | Favorable        | (Unfavorable) | Budget                   | Actual              | Favorable          | (Unfavorable) |
| \$ -                   | \$ -              | \$ -             | -             | \$ 5,086,028             | \$ 4,803,754        | \$ (282,274)       |               |
| -                      | -                 | -                | -             | 8,300,000                | 7,470,557           | (829,443)          |               |
| -                      | -                 | -                | -             | 4,205,659                | 3,528,635           | (677,024)          |               |
| -                      | -                 | -                | -             | 251,500                  | 228,419             | (23,081)           |               |
| -                      | -                 | -                | -             | 3,247,802                | 3,400,967           | 153,165            |               |
| 25,000                 | 18,100            | (6,900)          | -             | 198,262                  | 165,177             | (33,085)           |               |
| -                      | -                 | -                | -             | 276,500                  | 223,440             | (53,060)           |               |
| -                      | -                 | -                | -             | 295,993                  | 268,922             | (27,071)           |               |
| -                      | -                 | -                | -             | 12,000                   | 44,772              | 32,772             |               |
| -                      | -                 | -                | -             | 255,913                  | 187,440             | (68,473)           |               |
| 4,540                  | 6,743             | 2,203            | -             | 162,749                  | 132,096             | (30,653)           |               |
| <u>29,540</u>          | <u>24,843</u>     | <u>(4,697)</u>   |               | <u>22,292,406</u>        | <u>20,454,179</u>   | <u>(1,838,227)</u> |               |
| -                      | -                 | -                | -             | 7,169,995                | 6,717,904           | 452,091            |               |
| -                      | -                 | -                | -             | 151,000                  | 150,597             | 403                |               |
| 43,000                 | 41,482            | 1,518            | -             | 1,971,322                | 1,901,442           | 69,880             |               |
| -                      | -                 | -                | -             | 435,655                  | 353,623             | 82,032             |               |
| -                      | -                 | -                | -             | 666,000                  | 596,478             | 69,522             |               |
| -                      | -                 | -                | -             | 2,183,320                | 2,139,791           | 43,529             |               |
| 5,300                  | 3,840             | 1,460            | -             | 3,772,415                | 3,170,768           | 601,647            |               |
| 9,000                  | 9,000             | -                | -             | 10,614,354               | 10,340,416          | 273,938            |               |
| -                      | -                 | -                | -             | -                        | -                   | -                  |               |
| -                      | -                 | -                | -             | 5,409,680                | 5,210,691           | 198,989            |               |
| -                      | -                 | -                | -             | 821,890                  | 730,830             | 91,060             |               |
| <u>57,300</u>          | <u>54,322</u>     | <u>2,978</u>     |               | <u>33,195,631</u>        | <u>31,312,540</u>   | <u>1,883,091</u>   |               |
| (27,760)               | (29,479)          | (1,719)          |               | (10,903,225)             | (10,858,361)        | 44,864             |               |
| -                      | -                 | -                | -             | 5,575,000                | 5,571,679           | (3,321)            |               |
| -                      | -                 | -                | -             | -                        | -                   | -                  |               |
| -                      | -                 | -                | -             | -                        | -                   | -                  |               |
| -                      | -                 | -                | -             | 485,500                  | 420,100             | (65,400)           |               |
| -                      | -                 | -                | -             | (625,500)                | (420,100)           | 205,400            |               |
| 34,200                 | 69,683            | 35,483           | -             | 121,950                  | 137,331             | 15,381             |               |
| (800)                  | (706)             | 94               | -             | (36,435)                 | (3,593)             | 32,842             |               |
| <u>33,400</u>          | <u>68,977</u>     | <u>35,577</u>    |               | <u>5,520,515</u>         | <u>5,705,417</u>    | <u>184,902</u>     |               |
| 5,640                  | 39,498            | 33,858           | -             | (5,382,710)              | (5,152,944)         | 229,766            |               |
| 284,851                | 284,851           | -                | -             | 6,022,891                | 6,022,891           | -                  |               |
| 13                     | 13                | -                | -             | 716,023                  | 716,023             | -                  |               |
| <u>\$ 290,504</u>      | <u>\$ 324,362</u> | <u>\$ 33,858</u> |               | <u>\$ 1,356,204</u>      | <u>\$ 1,585,970</u> | <u>\$ 229,766</u>  |               |

CITY OF EASTLAKE  
 LAKE COUNTY  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
 RETAINED EARNINGS - PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 2001

|  | ENTERPRISE<br>FUND |
|--|--------------------|
| OPERATING REVENUES:                            |                    |
| Charges for Services                           | \$ 1,303,756       |
| All Other Revenue                              | 2,218              |
| Total Operating Revenue                        | 1,305,974          |
| OPERATING EXPENSES:                            |                    |
| Personal Services                              | 497,558            |
| Contractual Services                           | 760,259            |
| Materials and Supplies                         | 11,301             |
| Utilities                                      | 19,897             |
| Depreciation                                   | 306,216            |
| Other Operating Expense                        | 9,558              |
| Total Operating Expenses                       | 1,604,789          |
| OPERATING (LOSS)                               | (298,815)          |
| DEFICIT RETAINED EARNINGS AT BEGINNING OF YEAR | (5,190,335)        |
| DEFICIT RETAINED EARNINGS AT END OF YEAR       | \$ (5,489,150)     |

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, 2001

|   | ENTERPRISE<br>FUND |
|---|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                    |
| Cash Received from Customers  | \$ 1,336,220       |
| Cash Payments to Suppliers for Goods and Services   | (804,668)          |
| Cash Payments to Employees for Services   | (489,591)          |
|   | 41,961             |
|   |                    |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:   |                    |
| Net Book Value of Fixed Asset Disposals   | 28,874             |
| Purchase of Fixed Assets  | (235,538)          |
| Net Change in Contributed Capital   | 186,116            |
|   | (20,548)           |
|   |                    |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | 21,413             |
|   |                    |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR  | 71,199             |
|   | 92,612             |
|   |                    |
| RECONCILIATION OF OPERATING INCOME TO NET CASH<br>PROVIDED BY OPERATING ACTIVITIES                  |                    |
|   |                    |
| OPERATING INCOME (LOSS)   | \$ (298,815)       |
|   |                    |
| ADJUSTMENTS TO RECONCILE OPERATING LOSS TO<br>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: |                    |
| Depreciation Expense  | 306,216            |
| Decrease In Accounts Receivable   | 30,246             |
| Decrease In Supplies Inventory  | 1,399              |
| Decrease In Prepaid Items   | 10,237             |
| Decrease In Accounts Payable  | (15,289)           |
| Increase In Accrued Wages   | 1,398              |
| Increase In Compensated Absences Payable  | 2,157              |
| Decrease In Due To Other Governments  | 4,412              |
|   | 41,961             |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | \$ 41,961          |

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, 2001**

**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION**

**A. 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 16. The jointly governed organization is the Northeast Ohio Public Energy Council, which is presented in Note 18.

**B. 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:

**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:

CITY OF EASTLAKE  
LAKE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)

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

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

**General Fund** - This fund is the operating fund of the City and is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

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

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

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

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

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

**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.



**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

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

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.

**A. Basis of Accounting and Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds 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 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 earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state levied locally shared taxes, interest, grants, fees, and rentals. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**B. Budgetary Process**

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

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

**C. 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.

**D. Estimated Resources**

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

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

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

**E. Appropriations**

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

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

**F. 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.

**G. 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.

**H. 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, 2001  
(Continued)**

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

**H. 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

|  | General       | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Expendable<br>Trust |
|--|---------------|--------------------|-----------------|---------------------|---------------------|
| GAAP Basis   | \$(1,029,211) | \$(297,201)        | \$(31,634)      | \$(4,573,329)       | \$38,169            |
| Increase (Decrease):   |               |                    |                 |                     |                     |
| Accrued revenues at December 31, 2001,<br>received during 2002 | (1,420,138)   | (99,369)           | 0               | (359,678)           | 0                   |
| Accrued revenues at December 31, 2000,<br>received during 2001 | 1,402,261     | 106,158            | 0               | 4,165               | 28                  |
| Accrued expenditures at December 31, 2001,<br>paid during 2002 | 852,620       | 271,723            | 0               | 187,808             | 11,837              |
| Accrued expenditures at December 31, 2000,<br>paid during 2001 | (682,405)     | (271,376)          | 0               | (571,516)           | (787)               |
| Proceeds of Notes  | 0             | 0                  | 0               | 5,550,000           |                     |
| Note Retirement  | 0             | 0                  | 0               | (4,200,000)         |                     |
| 2000 Prepays for 2001  | 68,363        | 102                | 0               | 0                   | 0                   |
| 2001 Prepays for 2002  | (54,156)      | (21,660)           | 0               | (288)               | (30)                |
| 2001 Outstanding Encumbrances                                  | (20,551)      | (2,859)            | 0               | (271)               | (9,719)             |
| Budget Basis   | \$(883,217)   | \$(314,482)        | \$(31,634)      | \$(3,963,109)       | \$39,498            |

**I. 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 pooled money market account, AIM Government Agency Money Market, STAR Ohio and repurchase agreements to be cash equivalents.

**J. 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 5 "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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

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

**J. Investments (Continued)**

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, 2001.

During fiscal year 2001, investments were limited to STAROhio, repurchase agreements, a money market account, and the AIM Government Agency Money Market Fund. Also, the City held a \$17,000 Manuscript Bond.

**K. 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.

**L. Fixed Assets and Depreciation**

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

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

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

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

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<br/>(Years)</u> |
|-----------------------|------------------------------------|
| Buildings             | 40                                 |
| Machinery & Equipment | 15                                 |
| Sewer Lines           | 50                                 |
| Vehicles              | 10                                 |

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

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

**M. 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 is 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.

**N. 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 is 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.

**O. 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.

**P. 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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

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

**Q. 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.

**R. 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 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

**A. Change in Accounting Principle**

For 2001, the City has implemented GASB Statement No.33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." GASB Statements No. 33 and 36 establish accounting and financial reporting standards for non exchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or modified accrual basis of accounting is required. For revenue recognition to occur on the modified basis, however, the criteria established for accrual basis revenue recognition must be met and the revenue must be available. The provisions of Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001. The changes in accounting principles had the following effect on the Special Revenue fund balance at December 31, 2000. All changes to other funds had no effect on fund balance/retained earnings at December 31, 2000.

|                                       | Special Revenue |
|---------------------------------------|-----------------|
| Balances as Previously Recorded       | \$335,085       |
| Due from Other Governments Receivable | 97,246          |
| Restated Balance December 31, 2000    | \$432,331       |

**B. Restatement of Prior Year Fund Equity**

The City had the following adjustment to beginning fund balance which was due to an understatement of Due From Other Governments receivable that were received in the available period, but not recognized in the prior year.

|                                       | General     |
|---------------------------------------|-------------|
| Balances as Previously Recorded       | \$1,317,637 |
| Due from Other Governments Receivable | 522,596     |
| Restated Balance December 31, 2000    | \$1,840,233 |

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 4 – FUND DEFICITS**

There was a fund deficit in the Capital projects fund of \$5,747,243 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 \$5,489,150 which arose from the recognition of expenditures on the full accrual basis, which is greater than expenditures recognized on the budgetary basis. The General Fund provides operating transfers when cash is required, not when accruals occur.

**NOTE 5 - 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;
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;



**CITY OF EASTLAKE  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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.

**A. 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.

**B. Deposits**

At year-end, the carrying amount of the City's deposits was \$262,080 (including \$1,325 in petty cash), and the bank balance was \$323,979. Of the bank balance, \$210,823 was covered by federal depository insurance and \$113,156 was uninsured and uncollateralized. Although the pledging banks have investment and securities pools used to collateralize all public deposits which are held in the financial institution's name, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

|   | Category 1      | Category 3         | Carrying<br>Amount |
|---|-----------------|--------------------|--------------------|
| Breakwall Imp. Bonds                          | \$17,000        | \$ -               | \$17,000           |
| Repurchase Agreement                          |                 | 1,465,239          | 1,465,239          |
| State Treasurer's Asset Reserve<br>(STAROhio) |                 |                    | 143,781            |
| <b>Total Investments</b>                      | <b>\$17,000</b> | <b>\$1,465,239</b> | <b>\$1,626,020</b> |

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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:

|                          | Cash and Cash<br>Equivalents | Investment  |
|--------------------------|------------------------------|-------------|
| GASB Statement No. 9     | \$1,871,100                  | \$17,000    |
| Investments:             |                              |             |
| Repurchase Agreements    | (1,465,239)                  | 1,465,239   |
| STAR Ohio                | (143,781)                    | 143,781     |
| Per GASB Statement No. 3 | \$262,080                    | \$1,626,020 |

**NOTE 6 - TAXES**

**A. 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 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, 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>.

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, 2001, was \$10.8 per \$1,000 of assessed value. The assessed value upon which the 1998 levy was based was \$452,964,871. This amount constitutes \$334,986,690 in real property assessed value, \$67,174,190 in public utility assessed value and \$50,803,991 in tangible personal property assessed value.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 6 – TAXES (Continued)**

**B. Income Tax**

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

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

**NOTE 7 - OPERATING TRANSFERS**

The following is a summary of operating transfers for all funds for 2001:

| <u>Fund</u>                 | <u>Transfers<br/>In</u> | <u>Transfers<br/>Out</u> |
|-----------------------------|-------------------------|--------------------------|
| General Fund                | \$0                     | \$350,300                |
| Special Revenue Funds       |                         |                          |
| Federal Grants Fund         | 0                       | 0                        |
| Police Pension Fund         | 239,412                 | 0                        |
| Fire Pension Fund           | 110,888                 | 0                        |
| Total Special Revenue Funds | <u>350,300</u>          | <u>0</u>                 |
| Total All Funds             | <u>\$350,300</u>        | <u>\$350,300</u>         |

**NOTES 8 - RECEIVABLES**

Receivables at December 31, 2001 consisted of taxes, accounts receivable, special assessments and intergovernmental receivables arising from grants and shared revenues. All receivables are considered fully collectible.

**NOTE 9 - FIXED ASSETS**

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

|                                      | <u>Balance<br/>1/1/01</u> | <u>Additions</u>   | <u>Deductions</u>  | <u>Balance<br/>12/31/01</u> |
|--------------------------------------|---------------------------|--------------------|--------------------|-----------------------------|
| Land                                 | \$883,324                 | \$4,563,925        | \$0                | \$5,447,249                 |
| Buildings and Improvements           | 9,954,709                 | 0                  | 0                  | 9,954,709                   |
| Machinery, Vehicles and<br>Equipment | <u>5,450,467</u>          | <u>921,084</u>     | <u>(282,114)</u>   | <u>6,089,437</u>            |
| Total                                | <u>\$16,288,500</u>       | <u>\$5,485,009</u> | <u>(\$282,114)</u> | <u>\$21,491,395</u>         |

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 9 - FIXED ASSETS (Continued)**

Schedule of General Fixed Assets at December 31, 2001:

|   |                     |
|---|---------------------|
| <u>Investment in<br/>General Fixed Assets</u> |                     |
| General Fund                                  | \$5,697,061         |
| Special Revenue Fund                          | 4,796,318           |
| Capital Projects Fund                         | <u>10,998,016</u>   |
|   | <u>\$21,491,395</u> |

The following is a summary of changes in Proprietary Fund Fixed Assets at December 31, 2001:

|                               | Historical<br>Cost | Accumulated<br>Depreciation | Book<br>Value      |
|-------------------------------|--------------------|-----------------------------|--------------------|
| Land                          | \$92,676           | \$0                         | \$92,676           |
| Building                      | 768,000            | (719,167)                   | 48,833             |
| Utility Structures in Service | 8,159,695          | (6,154,156)                 | 2,005,539          |
| Machinery and Equipment       | <u>561,600</u>     | <u>(272,714)</u>            | <u>288,886</u>     |
| Totals                        | <u>\$9,581,971</u> | <u>\$(7,146,037)</u>        | <u>\$2,435,934</u> |

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

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

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

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

All 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, or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is set at 8.5% of their annual covered salary to fund pension obligations. The 2001 employer contribution rate for local government employer units was 13.55% of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. The 2000 contribution rate was 10.84% and 1999 employer contribution rate was 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, 2001, 2000, and 1999 were \$480,753, \$332,817, and \$470,008 respectively. The full amount has been contributed for 2000 and 1999. For 2001, 69.79 percent has been contributed with the remainder being reported as fund liabilities.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll, which amounted to \$223,485.

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, 2000 and include a rate of return on investments of 7.75%. An annual increase of 4.75% 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 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 (the latest information available) is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2001, 2000, and 1999 were \$241,952, \$237,207, and \$224,367 for police and \$194,798, \$170,990, and \$133,553 for firefighters, respectively. The full amount has been contributed for 2000 and 1999. For 2001, 69.79 and 66.28 percent, respectively, have been contributed with the remainder being reported as a liability in the general long-term obligations account group.

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.

**CITY OF EASTLAKE  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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 2001 covered payroll that was used to fund post employment health care benefits was \$151,220 representing 7.50% of covered payroll for police and \$88,545 representing 7.50% 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 2000, the percent used to fund health care was 7.25%. 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, 2000, the date of the last actuarial available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 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, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

**NOTE 11 - COMPENSATED ABSENCES**

**A. 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, 2001, the total obligation for vacation accrual for the City as a whole amounted to \$423,665.

**B. Accumulated Sick Leave**

Sick leave is earned at the rate of four and six-tenths hours for every eighty (80) hours of pay, excluding overtime; and uniformed firefighters earn sick leave at the rate of one-tenth hours per one hundred four (104) hours of pay, excluding overtime. Each employee with the City is paid a minimum of 25% after 8 or more years of service, or a maximum of one thousand three hundred forty-four (1,344) hours, or the employee's unused sick leave upon retirement from the City. At December 31, 2001, the total obligation for sick leave accrual for the City as a whole amounted to \$886,199.

**NOTE 12 - CAPITAL LEASES**

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

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 12 - CAPITAL LEASES (Continued)**

The agreements provide for minimum annual rental payments as follows:

| Year  | Total           |
|---|-----------------|
| 2002  | \$24,046        |
| 2003  | 14,003          |
| 2004  | 9,961           |
| Total minimum lease payments                | 48,010          |
| Less: Amount representing interest          | -0-             |
| Present value of net minimum lease payments | <b>\$48,010</b> |

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

**NOTE 13 - NOTE DEBT**

The City's note activity for the year ended December 31, 2001 is as shown below. All notes are being shown in the Capital Projects Fund.

|                        | Balance<br>12/31/00 | Additions          | Reductions         | Outstanding<br>12/31/01 |
|------------------------|---------------------|--------------------|--------------------|-------------------------|
| Rec/Land Acquisition   | \$980,000           | \$0                | \$0                | \$980,000               |
| 4.5% Fire Station Imp. |                     |                    |                    |                         |
| 4.5% Fire Pumper       | 200,000             |                    | 200,000            | 0                       |
| Economic Development   | 4,000,000           | 5,550,000          | 4,000,000          | 5,550,000               |
| Total Notes            | <b>\$5,180,000</b>  | <b>\$5,550,000</b> | <b>\$4,200,000</b> | <b>\$6,530,000</b>      |

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.

**NOTE 14 - LONG-TERM OBLIGATIONS**

Activity in the General Long-Term Obligations Account Group in 2001 was as follows:

|                                    | Balance<br>12/31/00 | Additions  | Reductions       | Outstanding<br>12/31/01 |
|------------------------------------|---------------------|------------|------------------|-------------------------|
| General Obligations Bonds Payable: |                     |            |                  |                         |
| 1981 Watermain Imp.                | \$50,000            | \$0        | \$50,000         | \$0                     |
| 1993 City Hall Construction        | 3,185,000           | 0          | 120,000          | 3,065,000               |
| 1993 Various                       | 3,075,000           | 0          | 560,000          | 2,515,000               |
| 1993 Various                       | 465,000             | 0          | 150,000          | 315,000                 |
| Total General Obligation Bonds     | <b>\$6,775,000</b>  | <b>\$0</b> | <b>\$880,000</b> | <b>\$5,895,000</b>      |

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 14 - LONG-TERM OBLIGATIONS(Continued)**

|   | Balance<br>12/31/00 | Additions        | Reductions         | Outstanding<br>12/31/01 |
|---|---------------------|------------------|--------------------|-------------------------|
| Special Assessment Bonds Payable:       |                     |                  |                    |                         |
| 1981 Paxton Road Imp.                   | \$4,000             | \$0              | \$4,000            | \$0                     |
| 1993 Breakwall Imp.                     | 23,000              | 0                | 6,000              | 17,000                  |
| <b>Total Special Assessment Bonds</b>   | <b>\$27,000</b>     | <b>\$0</b>       | <b>\$10,000</b>    | <b>\$17,000</b>         |
| 1995 Sewer Imp.                         | \$84,553            | \$0              | \$21,139           | \$63,414                |
| 1999 N. Parkway Sewer                   | 45,000              | 0                | 2,500              | 42,500                  |
| 2000 E. 377 <sup>th</sup> St. Road Imp. | 93,241              | 0                | 6,907              | 86,334                  |
| 2000 Stevens Blvd. Outfall              | 37,645              | 11,493           | 2,457              | 46,681                  |
| 2000 Parkland Dr. Sewer                 | 5,275               | 19,632           | 1,245              | 23,662                  |
| <b>Total OPWC Loans</b>                 | <b>265,714</b>      | <b>31,125</b>    | <b>34,248</b>      | <b>262,591</b>          |
| Honeywell Project Loan                  | 0                   | 484,712          | 87,271             | 397,441                 |
| Other Long-Term Obligations             |                     |                  |                    |                         |
| Compensated Absences                    | 1,170,352           | 113,382          | 0                  | 1,283,734               |
| Capital Leases                          | 17,248              | 52,972           | 22,210             | 48,010                  |
| <b>Total General Long-Term Debt</b>     | <b>\$8,255,314</b>  | <b>\$682,191</b> | <b>\$1,033,729</b> | <b>\$7,903,776</b>      |

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 are as follows:

| Year(s)      | General<br>Obligation<br>Bonds | Special<br>Assessment<br>Bonds | OPWC<br>Loans    | Capital<br>Leases | Honeywell<br>Project Loan |
|--------------|--------------------------------|--------------------------------|------------------|-------------------|---------------------------|
| 2002         | \$1,170,720                    | \$7,189                        | \$13,109         | \$24,046          | \$111,310                 |
| 2003         | 1,176,217                      | 6,773                          | 34,248           | 14,003            | 111,310                   |
| 2004         | 1,007,057                      | 5,352                          | 34,248           | 9,961             | 111,310                   |
| 2005         | 1,002,807                      | 0                              | 34,248           | 0                 | 111,310                   |
| 2006         | 295,578                        | 0                              | 13,109           | 0                 | 0                         |
| 2007-2022    | 3,232,720                      | 0                              | 133,629          | 0                 | 0                         |
| <b>Total</b> | <b>\$7,879,380</b>             | <b>\$19,314</b>                | <b>\$262,591</b> | <b>\$48,010</b>   | <b>\$453,240</b>          |



**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 14 - LONG-TERM OBLIGATIONS (Continued)**

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 benefited 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 Honeywell Project Loan will be paid from the debt service 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.

**NOTE 15 - 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, 2001 for this enterprise activity is as follows:

|                           |             |
|---------------------------|-------------|
| Operating revenues        | \$1,305,974 |
| Depreciation              | 306,216     |
| Operating loss            | (298,815)   |
| Assets                    | 2,949,752   |
| Net working capital       | 479,771     |
| Additions to fixed assets | 235,538     |
| Compensated absences      | 26,130      |
| Total equity              | \$2,892,923 |

**NOTE 16 - 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 2001, the City of Eastlake paid \$138,802 in premiums from the General and Special Revenue funds, 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.

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001  
(Continued)**

**NOTE 16 - SHARED RISK POOL (Continued)**

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.

Medical and prescription benefits in 2001 were provided through Medical Mutual of Ohio. Dental benefits as well, 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 \$244.94 to \$698.31 for single, two-party, and family coverage. The monthly premium for dental benefits range from \$21.81 to \$65.87 for single, two-party, and family coverage.

**NOTE 17 - 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 18 - 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 Eastlake did not contribute to NOPEC in 2001. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio, 44095.

**Note 19 – Subsequent Events**

On April 18, 2002 and June 27, 2002, the City issued \$8,000,000 and \$7,500,000 respectively, in taxable capital facilities notes at an interest rate of 3 percent maturing on December 4, 2002. Also, the City entered into various contracts for the construction of a minor league baseball stadium in the amount of \$8,428,688.

**CITY OF EASTLAKE  
LAKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR  
FOR THE YEAR ENDED DECEMBER 31, 2001**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title          | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Revenues                  | Disbursements             |
|--|----------------------------------|---------------------------|---------------------------|---------------------------|
| <b><u>U.S. DEPARTMENT OF HIGHWAY PLANNING AND CONSTRUCTION</u></b> |                                  |                           |                           |                           |
| <i>Passed Through Ohio Department of Transportation</i>            |                                  |                           |                           |                           |
| Highway Planning and Construction Grant - Erie Road                | LAK-Erie Road                    | 20.205                    | <u>\$2,532,239</u>        | <u>\$2,625,654</u>        |
| Total U.S. Department of Highway Planning and Construction         |                                  |                           | <u><b>2,532,239</b></u>   | <u><b>2,625,654</b></u>   |
| <b><u>U.S. DEPARTMENT OF JUSTICE</u></b>                           |                                  |                           |                           |                           |
| <i>Direct Programs:</i>  |                                  |                           |                           |                           |
| COPS Fast  | 1999-SH-WX-0610                  | 16.710                    | 121,474                   | 84,529                    |
| <i>Passed Through Ohio Attorney General</i>                        |                                  |                           |                           |                           |
| Victims of Crime Assistance  | 2001VAGENE038                    | 16.575                    | <u>58,843</u>             | <u>57,832</u>             |
| Total U.S. Department of Justice                                   |                                  |                           | <u><b>180,317</b></u>     | <u><b>142,361</b></u>     |
| <b><u>U.S. DEPARTMENT OF THE TREASURY</u></b>                      |                                  |                           |                           |                           |
| <i>Direct Program</i>  |                                  |                           |                           |                           |
| Gang Resistance Education and Training (G.R.E.A.T.)                | ATC 010034                       | 21.053                    | <u>0</u>                  | <u>15,760</u>             |
| Total U.S. Department of the Treasury                              |                                  |                           | <u><b>0</b></u>           | <u><b>15,760</b></u>      |
| <b>Total Federal Assistance</b>                                    |                                  |                           | <u><b>\$2,712,556</b></u> | <u><b>\$2,783,775</b></u> |

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF EASTLAKE  
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE A --SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- MATCHING REQUIREMENTS**

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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

To the 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, 2001, and have issued our report thereon dated August 9, 2002, wherein we noted the City implemented Governmental Auditing Statement Nos. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-20843-001.

We also noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated August 9, 2002.

**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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 9, 2002.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

August 9, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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615 Superior Avenue, NW.  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS  
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Eastlake  
Lake County  
35150 Lakeshore Blvd.  
Eastlake, Ohio 44095

**Compliance**

We have audited the compliance of City of Eastlake, Lake County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the City in a separate letter dated August 9, 2002.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

City of Eastlake  
Lake County  
Report on Compliance with Requirements Applicable to its  
Major Federal Program and Internal Control Over  
Compliance In Accordance With OMB Circular A-133  
Page 2

However, we noted one matter involving internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 9, 2002.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping loop at the end.

**Jim Petro**  
Auditor of State

August 9, 2002



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

**CITY OF EASTLAKE  
LAKE COUNTY  
DECEMBER 31, 2001**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified                                      |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>         | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>                       | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>              | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>      | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unqualified                                      |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Highway Planning and Construction Grant – 20.205 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A\B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others       |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | No   |

**SCHEDULE OF FINDINGS**

**CITY OF EASTLAKE  
LAKE COUNTY  
DECEMBER 31, 2001**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

|                |                |
|----------------|----------------|
| Finding Number | 2001-20843-001 |
|----------------|----------------|

**Wedding Performance Fees**

ORC Section 9.38 states that, "A person who is a public official ... shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the next business day following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited."

ORC Section 5705.41(D)(1) states that, "No subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation ... has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon."

During our testing we noted that the Mayor performed wedding ceremonies and received compensation for performing these services. The Mayor was unable to provide any records that supported the amounts received from weddings. The fees were donated to outside agencies and the City's Flag Fund, in cash, without proper approval or certification by the Finance Director. As of June 30, 2001 the Mayor has not performed any weddings.

We recommend that any money collected by the Mayor in connection with his public office be deposited with the Finance Director within one business day. Also, any expenditure of these monies should be for allowable activities, properly approved and certified in accordance with Ohio Revised Code Sections governing receipting, budgetary, appropriating and expending of public money. Additionally, the City Council should adopt a policy regarding the collection of performance fees, establish a fee schedule, and define the usage of the money.

CITY OF EASTLAKE  
LAKE COUNTY  
DECEMBER 31, 2001

**SCHEDULE OF PRIOR AUDIT FINDINGS**

| <u>Finding Number</u> | <u>Finding Summary</u>                                      | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b> |
|-----------------------|---|-------------------------|---|
| 2000-20843-001        | ORC 5705.39: Appropriations exceeded estimated resources    | Yes                     |   |
| 2000-20843-002        | ORC 5705.41(B): Actual expenditures exceeded appropriations | Yes                     |   |





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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  
SEPTEMBER 12, 2002**