



Mary Taylor, CPA
Auditor of State

City of Eastlake
Lake County, Ohio

Fiscal Emergency Termination

Local Government Services Section

City of Eastlake – Lake County

Fiscal Emergency Termination

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Mary Taylor, CPA
Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the City of Eastlake Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the City of Eastlake to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated. Based on an analysis, the Auditor of State certifies that the City of Eastlake no longer meets the fiscal emergency conditions set forth in Section 118.27(A)(1), (2), (3) and (4), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code is in the process of being implemented, and it is reasonably expected that this implementation will be completed within two years, and that the Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the City of Eastlake Financial Planning and Supervision Commission and its role in the operation of the City of Eastlake is terminated as of December 4, 2007.

Accordingly, this report is hereby submitted to Ted Andrezejewski, Mayor of the City of Eastlake; Derek Elshaw, President of Council; Richard Cordray, Treasurer of State; Jennifer Brunner, Secretary of State; Ted Strickland, Governor; J. Pari Sabety, Director of the Office of Budget and Management; and Edward H. Zupanich, Lake County Auditor.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 118.27(A)(2), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

December 4, 2007

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City of Eastlake – Lake County

Report on the Termination of the City of Eastlake Financial Planning and Supervision Commission

Report on Termination of the Eastlake Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the City of Eastlake (the Commission), Lake County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A), Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter, shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to section 118.04 of the Ohio Revised Code, and no new emergency conditions have occurred...; (3) Met the objectives of the financial plan described in section 118.06 of the Ohio Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”

Results of our work under section 118.27(A), Ohio Revised Code, are as follows:

Pages 3 through 21 of our report indicate that the City has effectively implemented or is in the process of implementing corrections to its financial accounting and reporting system in accordance with section 118.10(A) of the Ohio Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04, of the Ohio Revised Code. This analysis can be found beginning on page 22.

We have reviewed the objectives of the financial plan and determined that the City has met the objectives in accordance with section 118.06, of the Ohio Revised Code. Specific conclusions can be found on page 27.

We examined and issued a non-adverse report on the five-year forecast prepared by the City. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The City has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will also monitor the City to ensure full implementation of the remaining items within two years.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the City of Eastlake, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the City of Eastlake, and others as designated by the Auditor of State, and is not to be used for any other purpose. Our procedures and findings follow.

City of Eastlake – Lake County

Report on the Termination of the City of Eastlake Financial Planning and Supervision Commission

SECTION 1 – Financial Accounting and Reporting System

When a City is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the City's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files and reports of the City of Eastlake (City) and issued a Report on Accounting Methods, dated May 13, 2005. The report identified areas where the City's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods:

- The City Charter requires the Mayor and Finance Director furnish Council with an annual estimate of revenues and expenditures for the succeeding year by December 15 and advise the Council as to the financial condition and needs of the City including necessary appropriation measures. The Mayor and Finance Director do not comply with the Charter requirement, rather the Mayor, Finance Director, and Council conduct budget hearings with the department heads in December 2003 to determine the department's appropriations for 2004. No estimated revenues were discussed in these hearings.

Implemented:

The annual estimate of revenues and expenditures for 2007 was provided to Council on November 30, 2006. The City Charter was amended in November 2005 to require the Mayor and Finance Director to furnish Council with an annual estimate of revenues and expenditures for the succeeding year on or before November 30 rather than December 15, and advise Council as to the financial condition and the needs of the City including necessary appropriation measures.

Auditor of State Comment from Report on Accounting Methods:

- The amount appropriated by fund is limited to the estimated resources as presented in the current amended certificate of estimated resources. The Finance Director should compare proposed appropriations to the current amended certificate of estimated resources before a supplemental appropriation ordinance is presented to Council. This comparison should be documented and presented to Council as part of the request for passage of the ordinance.

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Report on the Termination of the City of Eastlake Financial Planning and Supervision Commission

Implemented:

Prior to presenting Council with an appropriation measure or supplemental appropriation measure, the Finance Director prepares a comparison of appropriations to estimated resources worksheet which shows total proposed appropriations and total estimated resources by fund. The comparison is signed by the Finance Director and presented to Council as part of the request for passage of the appropriation ordinance.

Auditor of State Comment from Report on Accounting Methods:

- The estimated receipts and appropriations entered into the accounting system should be reconciled to the current amended certificate of estimated resources and the aggregate of the annual and supplemental appropriation ordinances. The reconciliation should be performed each time amendments to these documents are approved and entered into the accounting system and the reconciliation should be documented.

Implemented:

Once a new amended certificate of estimated resources is received from the County Auditor, the accounting clerk enters the new amounts into the accounting system. Once entered, the accounting clerk prints a revenue report and compares the estimated revenues by fund on the report to the total of property taxes and other sources on the official or amended certificate of estimated resources. Once the estimated revenue in the system agrees with the certificate of estimated resources, the clerk prints, signs and dates the revenue report.

After appropriations or supplemental appropriations are approved by Council and a certificate is received from the County Auditor indicating that appropriations do not exceed estimated resources, the appropriations are entered into the accounting system by the accounting clerk. The accounting clerk prints out an expense budget journal which shows what she entered and a detailed expenditure report and compares the total appropriations by fund on the report to the appropriation measure. Once the appropriations in the system agree with the appropriations approved by Council, the accounting clerk then signs the last page of the expense budget journal to indicate that a comparison was made and is in agreement with the appropriation measure.

Auditor of State Comment from Report on Accounting Methods:

- The Finance Director is responsible for estimating receipts and amending the certificate of estimated resources. The certificate of estimated resources may be amended as new resources are identified or actual receipts have or may exceed prior estimates and council desires to appropriate the additional resources, or when actual receipts will be less than prior estimates. Amendments to the certificate of estimated resources should not be driven by a need to increase appropriations unless supported by additional identifiable anticipated resources.

Implemented:

The Finance Director prepares and sends a letter to the County Auditor and requests a new amended certificate of estimated resources whenever the Finance Director has determined that actual receipts have or may exceed prior revenue estimates or new sources of revenue are identified and Council desires to appropriate the additional revenue.

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Report on the Termination of the City of Eastlake Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods:

- The allocation of Council approved appropriations are at the discretion of the Finance Director. The initial allocation is based on the departmental budget work sheets. Subsequent re-allocations are by informal notes to an accounting clerk from the Finance Director. The Finance Director should adopt procedures that require department heads to request in writing the desired appropriation changes. The Finance Director should review and, if it is appropriate and reasonable, may approve the request. Approval from the Mayor or other appropriate official should be obtained for amounts in excess of an amount defined in the policy. The request for change in allocation of appropriations should identify the line-items that are to be increased and those to be decreased and an explanation for the change.

Implemented:

The Finance Department has established a procedure which requires a written explanation from all department heads when departments request an appropriation change, which identifies the line items affected. The changes are reviewed for reasonableness and to ensure the appropriations do not exceed the original amount, and approved by the Finance Director.

For reallocations of appropriations not requiring legislative action, Council is given a copy each month of the reallocations. All requests to purchase an item that exceeds \$12,500 requires Council approval regardless if a reallocation is necessary or not.

Auditor of State Comment from Report on Accounting Methods:

- The City should annually approve a five-year forecast for its major operating funds and a ten year capital improvement plan.

In Process:

The City annually prepares and Council approves a five-year forecast for the general fund. The City has completed a ten-year capital improvement plan but it has not been presented to or approved by Council.

Chart of Fund and Account Codes

Auditor of State Comment from Report on Accounting Methods:

- The City has established funds by including them in an appropriation ordinance. This practice does not document the intended purpose of the fund. Funds should be created by resolution and in accordance with Sections 5705.09, 5705.12 and 5705.13, Revised Code. The resolution should identify the purpose of the fund, the sources of revenue, and any restrictions placed upon the expenditures.

Implemented:

The City established new funds in 2006 by ordinance which identified the purpose of the new fund, its revenue sources and allowable expenditures. Prior to the establishment of a new fund the Finance Director reviews sections 5705.09, 5705.12 and 5705.13 of the Ohio Revised Code, to ascertain if State approval is needed. If State approval is needed, the Finance Director completes the Auditor of State approval form and forwards it to the Local Government Services Section of the office of the Auditor of State.

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Report on the Termination of the City of Eastlake Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods:

- The City does not have a document that describes its chart of accounts. The City should development a document that explains the account code structure and the meaning of the various dimensions used in the account codes.

Implemented:

The City has prepared a document that describes the chart of accounts and explains the account code structure and the meaning of the various descriptions used in the account code.

Auditor of State Comment from Report on Accounting Methods:

- The Finance Director should approve all fund and account codes before they are added to the system.

Implemented:

Prior to any funds and account codes being entered into the system, a written approval is received from the Finance Director.

Accounting Ledgers

Auditor of State Comment from Report on Accounting Methods:

- The City does not have written month or year-end closing procedures. These procedures should be documented and maintained in the Finance Department.

Implemented:

The City has prepared written month and year-end closing procedures which include month and year end reports, bank reconciliations, carry over purchase orders, payroll and pension reports, W-2's and 1099s. The procedures are documented and are maintained in the Finance Department.

Auditor of State Comment from Report on Accounting Methods:

- The City has a verbal agreement with the cities of Willowick and Willoughby for disaster recovery. There is no guarantee that their systems, which are considerably more updated, will be able to work with the City of Eastlake's data. The agreement should be in writing and the City should update its computer software to ensure it is compatible with the cities of Willowick and Willoughby.

Implemented:

The City no longer has an agreement with the City of Willoughby. The City has a signed agreement with the City of Willowick who will provide computer services should the City of Eastlake need to use an off site facility to perform basic accounting functions, payroll, and vendor checks. Both cities currently use the Creative Microsystems, Inc. (CMI) accounting system.

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Auditor of State Comment from Report on Accounting Methods:

- The City should consolidate and update their computer backup procedures and test them to ensure they work and that the backups are viable.

Implemented:

The City has consolidated and updated its data back-up procedures. The procedures have also been tested, documented and are kept in the Finance Department.

All City departments are backed up onto the CMI server including financial information for the police department. The remaining police department information (confidential) is backed up to a tape which is delivered and stored in the finance department.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- In reviewing the receipt process throughout the City, any review, approval or verification by management was absent from the process. The Finance Director should review and determine the extent of management's review, approval, or verification that should exist at each collection point, implement control procedures to be followed by management, and periodically test the procedures to determine if there is compliance with the control procedures.

Implemented:

To ensure that all control procedures are being following at each collection point, the Assistant Finance Director reviews and verifies the daily cash receipts that are collected in the Finance Department to the register tapes at the end of the day, and initials the register tape. For monies received from the Police, Fire and Income Tax Departments, the Assistant Finance Director reviews and approves and initials the Deposit to Finance sheets that are prepared by the Departments. In addition, the Finance Director and the Assistant Finance Director randomly pull receipts from all departments at least once a quarter, and trace them back to source documents.

Auditor of State Comment from Report on Accounting Methods:

- The income tax administrator generates and signs the income tax refund checks. The income tax administrator also processes income tax receipts and deposits the money. Besides these functions being incompatible, the Finance Director should be the only official authorized to sign City checks, including income tax refund checks.

Implemented:

The income tax assistant processes income tax receipts, generates the income tax refund checks, and runs a system-generated check register report. The income tax administrator verifies the tax refund check amounts to the tax returns. The Finance Director verifies the names and amounts on the check register report to the income tax refund checks, before signing income tax refund checks. The Finance Director deposits all income tax money.

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Auditor of State Comment from Report on Accounting Methods:

- The Finance Department has an accounting clerk that tracks and reports to the Recreation Youth Board the overages and shortages in the parking ticket collections from the events at the stadium. There appears to be no oversight by City officials and/or the Recreational Youth Board. A general policy is needed for overages and shortages in cash collections and procedures should be established for management to follow when overages and shortages occur.

Implemented:

The City has established a policy for overages and shortages for management to follow when overages and shortages occur. The organizations who sell tickets for the games receive \$.75 cents per ticket sold from the City at the end of the season. The accounts receivable clerk maintains an excel spreadsheet throughout the season that keeps track of the amount of tickets receipts collected per game. The amount of cash collected is compared to the amount of tickets sold multiplied by \$5. Any overages are added to the organization's totals and any shortages are subtracted from their gross collections at the end of the season.

Auditor of State Comment from Report on Accounting Methods:

- The Finance Director should have the procedures used in the recording of receipts throughout the City documented and kept in the Finance Department. The procedures should be tested frequently to ensure that procedures are followed, and that inefficiencies are corrected.

Implemented:

The Finance Director has documented the procedures for the recording of receipts for each department and the documentation is maintained in the Finance Department. The procedures are tested at least once a quarter by the Finance Director or the Assistant Finance Director to ensure that there is adequate segregation of duties and all inefficiencies are corrected. Receipts are randomly pulled from all departments and traced from the source document to the deposit, the bank statement, the reconciliation, and to the recording of the revenue.

Auditor of State Comment from Report on Accounting Methods:

- The City does not have the software set up for the billing and collection of garbage fees.

Implemented:

The City has contracted with and is currently using CMI software for the billing and collection of garbage fees.

Auditor of State Comment from Report on Accounting Methods:

- In all departments, the same person should not be counting cash, completing daily cash reports and taking the deposit to the Finance Department. In the Income Tax Department, the income tax administrator counts the cash, completes the daily income tax reports, takes the deposit to the bank, signs refund checks, and reconciles the bank account. The Finance Director needs to remove from the income tax administrator those functions that are not compatible such as the bank account reconciliation and signing of the refund checks and establish compensating controls over the depositing and recording of receipts.

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Implemented:

The income tax assistant counts the cash and prepares an excel spreadsheet showing the name of the taxpayer, the amount received, and check number. The amounts are then posted to the system by the income tax assistant, and a deposit report is generated. This deposit report is compared to the excel spreadsheet by the income tax administrator. The income tax administrator also reconciles the cash and checks received for the day with the deposit report. A deposit slip is prepared by the income tax administrator, who then takes the deposit slip and the revenue to the finance department, along with the system generated deposit report for the Finance Director to deposit.

The Finance Director signs the income tax refund checks and the Assistant Finance Director reviews and signs off on the bank reconciliation that the income tax administrator prepares.

Auditor of State Comment from Report on Accounting Methods:

- The City does not post receipts to the system on a daily basis. Receipt should be posted daily.

Implemented:

All receipts are now being posted to the system on a daily basis.

Auditor of State Comment from Report on Accounting Methods:

- Several City departments do not provide adequate security over the receipts during the day. Receipts should be kept in a secured place until deposited with the finance department.

Implemented:

Receipts are kept in a secure place throughout the day by use of a cash register, a safe or locked cash drawer, depending on the department.

Auditor of State Comment from Report on Accounting Methods:

- The Finance Department issues hand written receipts to individuals for building permits and fees and garbage, water, and sewer utility payments. An accounting clerk will also enter/ring up the payment in a cash register. Both the hand written receipts and a report from the cash register are used to total the receipts for the day. The Finance Director should look into a more sophisticated cash register that at least can produce a receipt and possibly aid in posting the receipts.

In Process:

The only hand written receipts are being prepared for building permits and fees. For garbage, water and sewer utility payments, the customer is given a portion of their bill as a receipt, which is stamped with the date paid and initialed by an accounting clerk. Budget constraints have caused the City of Eastlake to keep the current cash register and receipt process in place.

Auditor of State Comment from Report on Accounting Methods:

The Finance Director should inquire of the software vendor about using the computer system/accounting software to process and generate receipts in all departments. The computer system/accounting software would allow receipts to be entered once at the point it is received and provide the ability to print receipts. These changes would eliminate the need for multiple receipt books in each department and reduce the time and effort needed to post receipts.

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Not Implemented:

Budget constraints have caused the City of Eastlake to keep the current receipt process in place.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- Some departments do not enter the purchase order information into the City's accounting system upon approval of the purchase requisitions. This prevents an accurate determination by the Finance Department of whether there are sufficient appropriations to approve future purchase requisitions. The Finance Department should enter the purchase order information from the approved purchase requisitions into the accounting system and generate the purchase orders on the same day that the requisitions are approved.

Implemented:

The City purchased and implemented new software in December 2006 which allows all departments to enter requisition information into the system. The requisition is routed to the Assistant Finance Director who reviews the requisition to make sure it is coded to the proper expense account and that appropriations are available. If the requisition is correct and appropriations are available, it is approved. Once approved, the purchase orders are printed and signed in the Finance Department the same day. Depending on the vendor, the purchase order may be given to them on the same day if they require the City to do so. Otherwise they are mailed the next day.

Auditor of State Comment from Report on Accounting Methods:

- Purchase order dates are not the dates the purchase order is printed and signed. Employees should not back date purchase orders in the City's accounting system.

Implemented:

The new software does not allow purchase orders to be back dated in the City's accounting system.

Auditor of State Comment from Report on Accounting Methods:

- Purchase orders, as required by Section 117-2-02(C) of the Ohio Administrative Code, should be generated and approved before goods or services are ordered.

Implemented:

Purchase orders are now generated and signed prior to good or services being ordered.

Auditor of State Comment from Report on Accounting Methods:

- The City does not utilize the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24, Revised Code, prohibits any state agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved.

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Implemented:

Prior to entering into any contracts, the Assistant Finance Director checks the State Finding for Recovery Database and prints the results of the finding for their records. A copy is also included with the Council ordinances allowing the Mayor to enter into a contract.

Auditor of State Comment from Report on Accounting Methods:

- The City should not issue purchase orders to a vendor until all appropriate information about the vendor is received including an IRS Form W-9 and the Finance Director has approved the use of the new vendor. Vendor approval should be based on a City policy.

Implemented:

New vendors are approved by the Finance Director and purchase orders are issued to new vendors only after all vendor requested information has been received by the City, including an IRS Form W-9.

Auditor of State Comment from Report on Accounting Methods:

- Purchases should be authorized only if sufficient appropriations are available. State law prohibits expenditures in excess of amounts appropriated. The system feature that prevents the issuance of purchase orders/encumbrances from exceeding appropriations should not be over-ridden by staff or management.

Implemented:

The new software does not allow departments to override the system if appropriations at the account level are not sufficient to support the purchase. If for any reason an over-ride needs to occur, only the Finance Director and Assistance Finance Director have the authority to do so. When a purchase order is in excess of the appropriation, the purchase order is denied and returned to the department for further verification as to need of the item. If the request requires an increase in appropriations, it is submitted to Council for approval at the legal level of control.

Auditor of State Comment from Report on Accounting Methods:

- The process to obtain an approved purchase order requires the exchange of a purchase requisition several times between a department and the finance office. This process is time consuming, inefficient, and results in requisitions not processed timely and inappropriate dates entered into the accounting system. The City should obtain from its software vendor the ability for departments to complete and approve purchase requisitions on-line and the finance office to generate purchase orders from the same information. The implementation of this process would eliminate several of the above issues, reduce the flow of paper between the departments and the finance department, and decrease the amount of time needed to get a purchase order approved and issued.

If the City implements an on-line requisition system, it should re-assess the requisition and purchase order process to ensure that appropriate management approvals exist and are documented, adequate documentation is generated and maintained (on paper and/or within the system), and that the process is documented and the documentation is retained in the Finance Department.

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Implemented:

The City has implemented an on-line requisition system. Departments now can complete and approve purchase acquisitions online. A requisition and purchase order process has been implemented that ensures that appropriate management approvals exist and there is documentation of the process. The documentation is maintained in the Finance Department.

Auditor of State Comment from Report on Accounting Methods:

- The City uses a three part purchase order form. The original copy is sent to the originating department rather than the vendor and there is no copy to use as a receiving copy/report. The City should use a four or five part purchase order form. The original copy should be mailed to the vendor and the remaining copies used as follows:
 - a copy attached to the requisition and filed in the finance department;
 - a copy to be used as a receiving copy that is attached to the packing slip and returned to the finance department;
 - a copy held in the finance department and matched with the receiving copy and invoice and included in the voucher for payment; and,
 - a copy that may be retained by the requesting department (optional).

Implemented:

The original copy of the purchase order is given to the originating department, where it is compared to the packing slip when the items are received. The department then either faxes a copy of the purchase order to the vendor or, if requested, mails it. The City feels this is a sufficient process and will continue to use a three part purchase order form.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The Finance Department should document the procedures for cash disbursements including the staff involved and their functions. The document should also include procedures for addressing invoices which exceed the purchase order/fiscal officer certification of funds and for the use of “Then and Now” certifications. The document should be kept on file in the Finance Director’s office.

Implemented:

The City has documented procedures for cash disbursements including the staff positions involved and their functions, the approval process and the segregation of duties. The procedures also address invoices which exceed the purchase orders and the use of “Then and Now” certifications.

Auditor of State Comment from Report on Accounting Methods:

- The Finance Department allows various funds to carry a deficit cash balance. Disbursements should not be made from a fund with an insufficient cash balance. If the timing of receipts is an issue, the Finance Director should request, by resolution, Council approval of an advance from the general fund. The resolution should state how and when the advance will be repaid.

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Implemented:

The Finance Director monitors the cash balances on a weekly basis and more often if necessary. He also accesses the fund balance report on screen to review each fund's cash balance to ensure that cash is available in all funds prior to payroll and vendor checks being mailed. If it is determined that a fund does not have sufficient cash to cover an expenditure, the check is pulled and not mailed. In the event that proposed disbursements would create a cash deficit within a fund, a request for a transfer or an advance through legislative action is proposed.

Auditor of State Comment from Report on Accounting Methods:

- Invoices are received by the various departments and the Finance Department. All invoices should be mailed to the Finance Department and date stamped with the date received. Invoices for services should be sent to the appropriate department, matched with the copy of the purchase order, approved for payment by the department head, and returned to the Finance Department. Invoices for goods should be matched with the purchase order and packing slip by the Finance Department rather than the receiving department holding the packing slip and purchase order until an invoice is received.

When goods ordered by a department are received, the person receiving the goods should verify that the goods received match the packing slip and the receiving copy of the purchase order and sign the packing slip and purchase order as proof that the verification process was completed. The packing slip and receiving copy of the purchase order should be sent to the Finance Department.

Implemented:

All invoices are received in the Finance Department. Once received, the accounting clerk in the Finance Department matches the invoice to the purchase order and sends a copy of the invoice to the department which ordered the goods or service. The department verifies the packing slip to the invoice and the purchase order, stamps "approved for payment," dates, signs and returns it to the Finance Department for payment.

Auditor of State Comment from Report on Accounting Methods:

- The Finance Department does not issue purchase orders for engineering services done by the City's engineering firm, CT Consultants because of the number of invoices received on a monthly basis. The City should have a contract with CT Consultants and an itemized invoice defining the cost of services provided to the City. The City should be authorizing and encumbering an estimated cost for each project in which the firm has been authorized to perform work and the firm should submit itemized invoices.

Implemented:

The City has set up a purchase order for CT Consultants. CT Consultants sends the City a detailed invoice that shows the services rendered and the cost of the service.

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Payroll Processing

Auditor of State Comment from Report on Accounting Methods:

- The procedures used to process payroll should be documented and be on file in the Finance Director's office. The procedures should specifically address the duties of each employee involved in the process making sure that there is adequate segregation of duties in the process.

Implemented:

The City has documented the procedures used to process payroll for the City. The procedures address the duties of each employee involved in the process and require adequate segregation of duties. The new procedures are on file in the Finance Director's office.

Auditor of State Comment from Report on Accounting Methods:

- The City should have written policies and procedures on working and the payment of overtime. The procedures should also address the earning of compensatory time in lieu of the payment of overtime. The City should set a maximum amount of hours that may be accrued in a year and a maximum compensatory time balance that may be carried by an employee.

Implemented:

The City's procedure on working and the payment of overtime and compensatory time is documented in Chapter 155 of the City's Codified Ordinances and is addressed in the City's negotiated agreements. The Chapter also indicates the maximum amount of hours that may be accrued in a year for compensatory time for safety forces. Administrative employees do not receive compensatory time.

Auditor of State Comment from Report on Accounting Methods:

- The same employee who processes payroll should not have access to, or make changes to the employee master file. These duties should be separated. The human resource/personnel department should be responsible for the initial creation of an employee master file and for entering the appropriate compensation based on a signed document from the appointing authority. Withholding amounts and rates and the related authorization forms should be processed and retained by the Finance Department.

Implemented:

The City no longer has a human resource employee. Only three persons in the Finance Department have access to payroll – the Assistant Finance Director, and two of the accounting clerks. The accounting clerk enters all information into the payroll system. After each payroll is processed, an exception report is printed which shows any changes made to any employees payroll from the last pay. The Assistant Finance Director reviews the report by comparing the changes in the exception report to the authorization form to make sure that all the changes are correct.

Auditor of State Comment from Report on Accounting Methods:

- Employees in all departments should sign their time sheets.

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Report on the Termination of the City of Eastlake Financial Planning and Supervision Commission

Implemented:

Time sheets for all employees are signed by both the employee and the supervisor.

Debt Administration

Auditor of State Comment from Report on Accounting Methods:

- The City does not have a process for monitoring debt payments that identifies each payee, description of the debt, fund and account number, periodic payment amounts and other information related to each issue.

Implemented:

The Finance Director has prepared a debt redemption schedule by due date for all outstanding debt of the City. The debt redemption schedule is monitored by the Finance Director and the Assistant Finance Director to ensure all City debt is paid on time and for the correct amount.

Auditor of State Comment from Report on Accounting Methods:

- When the City issues notes, the Finance Director should notify the County Auditor that such notes have been sold and request an amended certificate of estimated resources. Tax or other receipts for the payment of notes should be redirected to the debt service fund.

Not Applicable:

The City has not notified the County Auditor of any new debt issuance due to no notes being issued. The City is aware that a new amended certificate is needed from the County Auditor when the City issues notes in the future.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The Finance Department should update their existing capital asset policies to include the new capitalization threshold amount and the procedures for acquisitions and disposals of assets. The policies and the procedures should be maintained in the Finance Department.

Implemented:

For purposes of budgetary reporting, expenditures for capital assets with a cost of \$2,500 or more are reported as capital outlay. For control purposes, all capital assets with a value of \$500 or more are entered into the capital asset inventory. For purposes of financial reporting on a GAAP basis, only capital assets valued at \$2,500 or more are reported.

When disposing of assets, the City follows provisions of the Ohio Revised Code for assets that have a value exceeding \$2,500. When there is sufficient surplus equipment, the Administration asks City Council for legislation declaring the items to be sold as surplus. City Council declares the property surplus and then the City holds an auction.

The policies and procedures for capital assets are kept and maintained by the Finance Director.

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Auditor of State Comment from Report on Accounting Methods:

- The Finance Department should enforce the use of their form FA-1, Changes in Fixed Assets, to report disposals and transfers during the year. Department heads should be responsible for approving the completed form for each disposal/transfer prior to or when it occurs.

Implemented:

FA-1, Changes in Capital Assets forms are now completed by department and approved by the department head for each capital asset sold at the auction.

Auditor of State Comment from Report on Accounting Methods:

- The City should assign tags and asset numbers to assets at the time they are delivered to ensure that all assets acquired are accounted for. All asset tags should be kept in the Finance Department. Asset numbers should be assigned by the Finance Department and sent to the respective departments along with a list of the descriptions of the assets and their purchase order numbers.

Implemented:

All capital assets are assigned a unique capital asset number by the Finance Department that does not change during the time that the asset is the property of the City. Along with the tag, an accounting clerk in the Finance Department sends each department a list of assets that shows each asset's tag number and asset description. After an asset is disposed of, the capital asset number is not to be reassigned to any other capital asset. The City also assigns asset numbers to items that cannot be tagged, such as guns, vests, vehicles, etc.

There may be cases in which a tag cannot be affixed to the capital asset; however, the capital asset number can be either marked or imprinted on the asset. This is done whenever necessary.

Auditor of State Comment from Report on Accounting Methods:

- The City maintains control and accountability over all capital assets with a cost of \$2,500 or more. These assets are reported in the City's year-end financial statements. The City does not account for or control those assets with a value of less than \$2,500. While these assets are not reported in the year-end financial statements, they represent a significant number of assets and cost that, if lost or stolen, there is no proof of their existence for insurance purposes. In addition, the existence and quantity of these assets is not controlled and a replacement program does not exist. The City needs to develop policies to account for assets with a value under \$2,500.

Implemented:

The City has developed a capital asset policy which includes all capital assets under \$2,500 in its capital asset inventory. The policy states that for management control, assets with a value of \$500 or more are entered into the City's capital asset inventory system.

City of Eastlake – Lake County

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Auditor of State Comment from Report on Accounting Methods:

- A physical inventory of consumable supplies should be taken as close to December 31 as possible. The Finance Director should implement procedures to monitor the delivery/receipt of new supplies and the consumption of supplies from the date of the physical inventory to year-end so that the value is appropriately adjusted and fairly presented in the financial statements. The date the inventory was taken should be displayed on the inventory sheets. All departments should submit their inventory sheets within a reasonable period after the completion of the physical inventory.

Implemented:

The Finance Director has developed and implemented procedures to monitor consumable inventory supplies from the date of receipt to the physical year end inventory. All departments are required submit their year end inventory sheets to the Finance Department as close to December 31 as possible, but no later than January 15.

Auditor of State Comment from Report on Accounting Methods:

- The City should develop and implement written policies and procedures for consumable inventory.

Implemented:

The City has developed and implemented a consumable inventory policy which is on file in the Finance Department.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The City should have a combined or consolidated bank reconciliation that lists each bank account balance, petty cash funds, the amount of deposits in transit, outstanding checks, bank service charges, any other adjustments, and the book balance.

Implemented:

The City has implemented a combined bank reconciliation that lists each bank account balance, petty cash funds, the amount of deposits in transit, outstanding checks, and any other adjustments, and the book balance.

Auditor of State Comment from Report on Accounting Methods:

- The City should review the need for all existing bank accounts and close those that are unnecessary such as the Breakwall Construction Manuscript Bonds Account.

Implemented:

The City has reviewed its bank accounts and closed the Breckwall Construction Manuscript Bonds account.

City of Eastlake – Lake County

Report on the Termination of the City of Eastlake Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods:

- The custodian for each petty cash fund should be an individual in the department that is assigned the petty cash fund. Petty cash funds should not be used as change funds. Separate change funds should be established.

Implemented:

The City has established separate change funds, separate from the petty cash funds, for the purpose of supplying change for customers. The department heads in the various departments are the custodians of both the petty cash and change funds.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- In accordance with Section 117.38, Revised Code, the City should file its financial statements prepared in accordance with general accepted accounting principles (GAAP) with the Auditor of State within one hundred and fifty days after the close of the year.

Implemented:

The 2006 financial statements for the City of Eastlake were filed on May 25, 2007 and were prepared in accordance with GAAP.

Auditor of State Comment from Report on Accounting Methods:

- The City should publish in a local newspaper notice that the financial report is available for public inspection at the office of the fiscal officer. The public notice may read as follows:

The (name of the annual financial report) of the City of Eastlake for the year ended (date) has been completed and is available for public inspection in the office of the (name of fiscal office and address) between (office hours). A copy of the report can be provided upon request.

Implemented:

The City published in the local newspaper notice that the financial report for 2006 was available for public inspection at the office of the Finance Director.

Auditor of State Comment from Report on Accounting Methods:

- The City does not produce a five-year operating plan or forecast for its major funds. A five-year operating plan should be completed each year for the major funds of the City and should be based on the conditions management expects to exist and the course of action it expects to take. The plan should include the revenues and expenditures of those funds that finance the major operations and/or services of the City and it should present among other things, the long-term effect of changes in service levels and operations.

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In Process:

The City has completed a five-year operating plan for the general fund which includes the revenue and expenditures that finance the major operations and services of the City. It also includes the long-term effect of changes in service levels and operations. The City has also completed a five-year capital program, which includes the revenues and expenditures for expected capital projects throughout the City. In 2008, the City will complete a five-year operating plan for the street construction, maintenance and repair and sewer funds.

Auditor of State Comment from Report on Accounting Methods:

- The City does not produce a long-term capital plan. A long-term capital plan should be completed/updated every year and the first five years should be included in the five-year operating plan of the City. The capital plan should cover a period of ten years, and include all water, sewer, storm drainage, street replacement or improvements and other projects as well as the method of financing the projects. The plan should also include scheduled replacement of equipment, vehicles, and other assets of the City.

Implemented:

The City has completed a ten-year capital plan. The plan also includes scheduled replacement for infrastructure, vehicles and heavy equipment.

Audit Report and Management Letters

The City Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The management letter that accompanied the December 31, 2005 and December 31, 2004 audit included several recommendations. The recommendations and the actions taken by the City included:

- That the City Council authorize a separate resolution for all transfers. Beginning at the end of 2006, the City now has separate resolutions for all transfers.
- That the City establish a policy regarding outstanding checks which sets a reasonable amount of time for carrying outstanding checks on their reconciliations. After the established time, the check should be voided and the funds should be held in an unclaimed funds account. The City is working on a draft policy.
- That the City establish formal policies regarding the use of City cell phones, credit cards and “frequent flyer” airline tickets and benefits which resulted from official City travel. The Mayor and Council are working on draft policies for credit cards and “frequent flyer” airline tickets, and a cell phone policy has been drafted by the Mayor.
- That the City develop a Disaster Recovery Plan that specifically addresses protocol in the event of a disaster, including hardware, software and communication needs, key personnel needed for processing at an alternate site and establishment of a manual backup process. The City has a signed agreement with the City of Willowick who currently uses the Creative Microsystems, Inc. (CMI) accounting system who will provide computer services should the City of Eastlake need to use an off site facility to perform basic accounting functions, including the processing of payroll and vendor checks.

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- That the City institute a policy that states that all modifications to capital assets be approved by the Finance Director. The City should investigate the whereabouts of deleted capital assets. The City should also review all capital assets to ensure the accuracy of historical costs, accumulated depreciation and useful lives in the capital assets system. The City has established a capital asset policy that states that no additions or deletions can be recorded in the capital asset system without approval by the Finance Director. The City has implemented the use of form FA-1, Changes in Capital Assets, which will give an explanation of all deletions (sold, scrapped, etc.).

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**Report on the Termination of the City of Eastlake
Financial Planning and Supervision Commission**

SECTION 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2), Revised Code, the City shall have corrected or eliminated or have planned and be in the process of good faith implementation of action to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency, and no new fiscal emergency conditions may have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118, Revised Code, is presented below.

Condition One – Default on Any Debt Obligation

Section 118.03(A)(1) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the City’s outstanding debt as of August 31, 2007 is as follows:

| <u>Debt Issue</u> | <u>Interest Rate</u> | <u>Year Issued</u> | <u>Original Issue Amount</u> | <u>Outstanding Balance at 8/31/07</u> |
|-------------------------------------------|----------------------|--------------------|------------------------------|---------------------------------------|
| General Obligation Bonds: | | | | |
| Tax Exempt Municipal Stadium | 2.00-5.00% | 2002 | \$4,380,000 | \$4,015,000 |
| Non Taxable Municipal Stadium | 2.55-6.00% | 2002 | 8,180,000 | 7,630,000 |
| Tax Exempt Municipal Stadium | 3.60-5.75% | 2004 | 4,320,000 | 2,535,000 |
| Non Taxable Municipal Stadium | 2.50-5.00% | 2004 | 9,890,000 | 4,230,000 |
| City Hall Construction Refunding | 4.25-6.00% | 2005 | 2,790,000 | 9,760,000 |
| Ohio Public Works Commission Loans (OPWC) | | | | |
| N.Parkway Sewer | 0.00% | 1999 | 50,000 | 28,750 |
| E. 377th Street Road Improvement | 0.00% | 1999 | 103,600 | 48,346 |
| Stevens Boulevard Outfall | 0.00% | 2000 | 49,138 | 33,168 |
| Parkland Drive Sewer | 0.00% | 2000 | 24,907 | 16,814 |
| E. Overlook Storm/Sewer | 0.00% | 2003 | 26,254 | 21,006 |
| Roberts Road Improvement | 0.00% | 2004 | 150,000 | 131,250 |
| Plymouth Outfall Sewer | 0.00% | 2006 | 58,200 | 53,835 |
| | | | | <u>\$28,503,169</u> |

We reviewed the outstanding indebtedness of the City as of August 31, 2007. The City has \$28,503,169 in outstanding debt at August 31, 2007 and has made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(1) of the Ohio Revised Code, as of August 31, 2007. The City has not defaulted on any debt obligations.

Condition Two – Payment of All Payroll

Section 118.03(A)(2) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

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- (a) For more than 30 days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of 90 days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than 30 days by the written consent of at least two thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained an understanding of the payroll process through various discussions with the payroll clerk at the City of Eastlake. We obtained payroll reports with a list of employees, pay rate legislation, and bank statements for August 31, 2007. We then verified that payroll checks were issued to employees for the pay date August 24, 2007, by comparing the payroll reports with the bank statements. This procedure was performed to ascertain whether City employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Ohio Revised Code. Also, we determined that there was adequate cash in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(2) of the Ohio Revised Code as of August 31, 2007. All employees have been paid in amounts and at the times required by ordinance and there was adequate fund balance to cover payroll.

Condition Three – Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Ohio Revised Code, defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current of next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Lake County Auditor, Chairman of the County Budget Commission, whether there had been an increase, pursuant to division (D) of section 5705.31 of the Ohio Revised Code, in the minimum levy of the City of Eastlake for the year which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Lake County Auditor indicated that no action had been taken by the Lake County Budget Commission to increase the inside millage of the City of Eastlake for 2007.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(3), Ohio Revised Code as of August 31, 2007.

Condition Four – Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeding one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that

City of Eastlake – Lake County

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either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We searched for accounts payable as of December 31, 2006, that were due and payable from all funds of the City, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2006, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest penalties. It was not necessary to proceed further with this analysis since the City did not have any accounts payable that had been due and payable for at least thirty days at December 31, 2006.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(4) of the Ohio Revised Code. There were no funds with accounts payable for at least thirty days at December 31, 2006.

Condition Five – Deficit Fund Balances

Section 118.03(A)(5) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the fund balance of each fund as of December 31, 2006, by subtracting all accounts payable and encumbrances from the year-end cash balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Ohio Revised Code. There were no funds with an aggregate fund deficit.

Condition Six – Treasury Balances

Section 118.03(A)(6) of the Ohio Revised Code, defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficit exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the City's reconciliation of its bank balances to its cashbook balance as of December 31, 2006, which included subtracting the outstanding checks and other adjusting factors to arrive at the treasury balance. We then determined the aggregate sum of positive cash balances of all funds, the purpose of which the unsegregated treasury is held to meet, to determine if a treasury deficit existed.

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**Report on the Termination of the City of Eastlake
Financial Planning and Supervision Commission**

Since the treasury balance equaled the aggregate of the positive fund cash balances, no further calculations were necessary.

Schedule I

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2006

| | Amounts at December 31, 2006 |
|-------------------------------------------|------------------------------------|
| Bank Cash Balances | |
| Huntington Bank Checking | \$408,827 |
| Huntington Bank Income Tax Department | 108,679 |
| Chase Checking | 75,794 |
| Chase Fireworks | 700 |
| Key Bank | 272,651 |
| STAROhio | 232,793 |
| Huntington Money Market | 5,672,559 |
| Huntington Callable Bond | 1,746,351 |
| Huntington Premium Money Market | 82,898 |
| Total Bank Balances | <u>8,601,252</u> |
| Adjustments for: | |
| NSF Checks | 504 |
| Petty Cash | 1,325 |
| Outstanding Checks | <u>(328,376)</u> |
| Total Adjustments | <u>(326,547)</u> |
| Total Treasury Balance | <u>\$8,274,705</u> |
| Less: Total Positive Cash Balances | |
| General | \$1,520,520 |
| Local Government Retention | 74 |
| State Highway | 18,153 |
| SCMR | 172,218 |
| Municipal Motor Vehicle | 186,996 |
| State Grants | 34,952 |
| Federal Grants | 36,422 |
| Police Pension | 28,820 |
| Fire Pension | 16,257 |
| Law Enforcement Trust | 47,898 |
| General Bond Retirement | 67,494 |
| Ohio Water Development Authority | 788 |
| Special Assessment Bond Retirement | 14,616 |
| Callable Bond Retirement | 1,746,351 |
| Road Capital Improvements | 1,896,766 |
| Fire Levy | 354,869 |
| Capital Projects | 9,142 |
| Stadium R & I | 212,959 |
| Stadium/Vine Project | 80,331 |
| Sewer Rehabilitation | 507,728 |
| City Hall Project | 298 |
| Police Station Improvement | 472 |
| Reeves Road Improvement | 10,429 |
| Pedestrian Bridge Improvement | 3,015 |

(continued)

City of Eastlake – Lake County

Report on the Termination of the City of Eastlake
Financial Planning and Supervision Commission

Schedule I

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2006 (continued)

| | Amounts at December 31, 2006 |
|---------------------------------|------------------------------------|
| Sanitary Sewer | \$179,170 |
| Employee Trust | 166 |
| Auxiliary Police Trust | 7,891 |
| Council Trust | 4,568 |
| Senior Citizens Trust | 190,034 |
| Flag Trust | 7,855 |
| Alarm Monitoring | 8,288 |
| Fireworks Fund | 716 |
| Fire Ambulance | 230,839 |
| Unclaimed Monies | 5,611 |
| Recreation and Land Acquisition | 412,430 |
| Contractors Performance | 7,075 |
| Subdivision Inspection | 10,880 |
| Street Opening Deposits | 16,450 |
| Building Deposits | 32,875 |
| Inspection Deposits | 118,664 |
| Grade Deposits | 36,939 |
| Plan Review Deposits | 36,686 |
| Total Positive Cash Balances | <u>8,274,705</u> |
| Treasury Deficiency | <u>\$0</u> |

Conclusion: Schedule I indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2006. The aggregate of the positive fund cash balances did not exceed the treasury balance.

City of Eastlake – Lake County

Report on the Termination of the City of Eastlake Financial Planning and Supervision Commission

SECTION 3 – Financial Plan Objectives

We obtained a copy of the financial plan of the City and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which are determined by the Auditor of State, pursuant to Section 118.04 of the revised Code;
- 2) Conform to statutes with respect to tax budgets and appropriations measures;
- 3) Do not issue debt obligations in excess of debt limits supported by appropriate certification by the City Finance Director; and,
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

SECTION 4 – Financial Forecast

Financial forecasting is an important management tool to assist the City in making sound financial decisions for avoiding fiscal crises in the future. A five-year forecast is required under 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

Disclaimer

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

City of Eastlake – Lake County

**Report on the Termination of the City of Eastlake
Financial Planning and Supervision Commission**

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APPENDIX A

City of Eastlake
Lake County, Ohio

Financial Forecast
For the Years Ending December 31, 2007 through December 31, 2011

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City of Eastlake – Lake County

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Mary Taylor, CPA
Auditor of State

Members of Council
City of Eastlake
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

Based upon the requirement set forth in Section 118.27 (A)(4) of the Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures and changes in fund balances for those funds identified in Note 2 – Nature of Presentation which encompass the five years ending December 31, 2011. These statements are presented on the cash basis of accounting used by the City of Eastlake rather than on generally accepted accounting principles. The City of Eastlake's management is responsible for the forecast. Our responsibility is to determine whether the City has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitable will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

This report is intended solely for the use of the City of Eastlake and the Financial Planning and Supervision Commission of Eastlake and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

November 15, 2007

City of Eastlake, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2004 through 2006, Actual
and Ending December 31, 2007 through 2011, Forecasted*

General Fund

| | 2004 Actual | 2005 Actual | 2006 Actual |
|--------------------------------|-------------------|-------------------|-------------------|
| Revenues | | | |
| Property Taxes | \$1,932,000 | \$1,941,000 | \$1,505,000 |
| Income Tax | 7,046,000 | 6,967,000 | 7,588,000 |
| Franchise Tax | 164,000 | 176,000 | 189,000 |
| Intergovernmental | 2,539,000 | 2,594,000 | 3,171,000 |
| Charges for Services | 563,000 | 1,793,000 | 1,085,000 |
| Fees, Licenses and Permits | 187,000 | 274,000 | 223,000 |
| Fines and Forfeitures | 255,000 | 222,000 | 205,000 |
| Investment Earnings | 15,000 | 113,000 | 288,000 |
| Other | 50,000 | 60,000 | 258,000 |
| Total Revenues | 12,751,000 | 14,140,000 | 14,512,000 |
| Expenditures | | | |
| General Government | | | |
| Mayor's Office | | | |
| Personal Services | 225,000 | 154,000 | 167,000 |
| Services and Supplies | 13,000 | 12,000 | 8,000 |
| Total Mayor's Office | 238,000 | 166,000 | 175,000 |
| Economic Developer Coordinator | | | |
| Personal Services | 20,000 | 0 | 0 |
| Council Office | | | |
| Personal Services | 47,000 | 48,000 | 49,000 |
| Services and Supplies | 9,000 | 10,000 | 10,000 |
| Total Council Office | 56,000 | 58,000 | 59,000 |
| Clerk of Council | | | |
| Personal Services | 36,000 | 35,000 | 37,000 |
| Services and Supplies | 11,000 | 10,000 | 10,000 |
| Total Clerk of Council | 47,000 | 45,000 | 47,000 |
| Finance Department | | | |
| Personal Services | 355,000 | 301,000 | 341,000 |
| Services and Supplies | 57,000 | 75,000 | 77,000 |
| Total Finance Department | 412,000 | 376,000 | 418,000 |
| Human Resources Coordinator | | | |
| Personal Services | \$95,000 | \$0 | \$0 |

| 2007 Forecasted | 2008 Forecasted | 2009 Forecasted | 2010 Forecasted | 2011 Forecasted |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$1,557,000 | \$1,530,000 | \$1,525,000 | \$1,560,000 | \$1,566,000 |
| 7,400,000 | 7,300,000 | 7,300,000 | 7,300,000 | 7,300,000 |
| 200,000 | 207,000 | 214,000 | 221,000 | 228,000 |
| 3,175,000 | 3,016,000 | 3,052,000 | 3,057,000 | 3,028,000 |
| 1,088,000 | 1,088,000 | 1,088,000 | 1,088,000 | 1,088,000 |
| 225,000 | 176,000 | 176,000 | 176,000 | 176,000 |
| 210,000 | 220,000 | 220,000 | 220,000 | 220,000 |
| 288,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| 54,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| <u>14,197,000</u> | <u>13,797,000</u> | <u>13,835,000</u> | <u>13,882,000</u> | <u>13,866,000</u> |
| 126,000 | 127,000 | 128,000 | 130,000 | 131,000 |
| 11,000 | 14,000 | 15,000 | 16,000 | 16,000 |
| <u>137,000</u> | <u>141,000</u> | <u>143,000</u> | <u>146,000</u> | <u>147,000</u> |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 49,000 | 51,000 | 51,000 | 53,000 | 53,000 |
| 21,000 | 21,000 | 21,000 | 22,000 | 22,000 |
| <u>70,000</u> | <u>72,000</u> | <u>72,000</u> | <u>75,000</u> | <u>75,000</u> |
| 38,000 | 39,000 | 40,000 | 41,000 | 42,000 |
| 17,000 | 16,000 | 16,000 | 17,000 | 17,000 |
| <u>55,000</u> | <u>55,000</u> | <u>56,000</u> | <u>58,000</u> | <u>59,000</u> |
| 325,000 | 300,000 | 306,000 | 313,000 | 320,000 |
| 52,000 | 56,000 | 59,000 | 62,000 | 64,000 |
| <u>377,000</u> | <u>356,000</u> | <u>365,000</u> | <u>375,000</u> | <u>384,000</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

(continued)

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2004 through 2006, Actual
and Ending December 31, 2007 through 2011, Forecasted
General Fund (continued)

| | 2004 Actual | 2005 Actual | 2006 Actual |
|---------------------------------------|--------------------|--------------------|--------------------|
| City Income Tax | | | |
| Personal Services | \$106,000 | \$117,000 | \$126,000 |
| Services and Supplies | 43,000 | 22,000 | 21,000 |
| Total City Income Tax | 149,000 | 139,000 | 147,000 |
| Legal Administration | | | |
| Personal Services | 113,000 | 112,000 | 112,000 |
| Services and Supplies | 56,000 | 113,000 | 49,000 |
| Total Legal Administration | 169,000 | 225,000 | 161,000 |
| Municipal Court | | | |
| Services and Supplies | 55,000 | 54,000 | 98,000 |
| City Hall Building | | | |
| Personal Services | 24,000 | 40,000 | 41,000 |
| Services and Supplies | 88,000 | 97,000 | 89,000 |
| Total City Hall Building | 112,000 | 137,000 | 130,000 |
| Post Office Building | | | |
| Services and Supplies | 5,000 | 5,000 | 4,000 |
| Engineering Expense | | | |
| Services and Supplies | 55,000 | 70,000 | 66,000 |
| Civil Service Commission | | | |
| Personal Services | 1,000 | 1,000 | 1,000 |
| Services and Supplies | 2,000 | 2,000 | 5,000 |
| Total Civil Service Commission | 3,000 | 3,000 | 6,000 |
| Elections Expense | | | |
| Services and Supplies | 3,000 | 12,000 | 12,000 |
| General Government Expense | | | |
| Services and Supplies | 1,710,000 | 2,142,000 | 2,144,000 |
| Total General Government | 3,129,000 | 3,432,000 | 3,467,000 |
| Public Safety | | | |
| Police Law Enforcement | | | |
| Personal Services | 2,320,000 | 2,380,000 | 2,413,000 |
| Services and Supplies | 167,000 | 328,000 | 328,000 |
| Total Police Law Enforcement | \$2,487,000 | \$2,708,000 | \$2,741,000 |

| 2007 Forecasted | 2008 Forecasted | 2009 Forecasted | 2010 Forecasted | 2011 Forecasted |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$126,000 | \$130,000 | \$134,000 | \$138,000 | \$142,000 |
| 29,000 | 34,000 | 35,000 | 36,000 | 37,000 |
| 155,000 | 164,000 | 169,000 | 174,000 | 179,000 |
| 114,000 | 115,000 | 116,000 | 117,000 | 119,000 |
| 125,000 | 100,000 | 75,000 | 75,000 | 100,000 |
| 239,000 | 215,000 | 191,000 | 192,000 | 219,000 |
| 105,000 | 105,000 | 110,000 | 110,000 | 110,000 |
| 42,000 | 43,000 | 44,000 | 45,000 | 46,000 |
| 113,000 | 126,000 | 134,000 | 142,000 | 153,000 |
| 155,000 | 169,000 | 178,000 | 187,000 | 199,000 |
| 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 70,000 | 70,000 | 70,000 | 70,000 | 70,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| 2,060,000 | 2,173,000 | 2,295,000 | 2,426,000 | 2,566,000 |
| 3,450,000 | 3,547,000 | 3,676,000 | 3,840,000 | 4,035,000 |
| 2,400,000 | 2,500,000 | 2,550,000 | 2,600,000 | 2,700,000 |
| 300,000 | 400,000 | 400,000 | 400,000 | 400,000 |
| \$2,700,000 | \$2,900,000 | \$2,950,000 | \$3,000,000 | \$3,100,000 |

(continued)

City of Eastlake, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2004 through 2006, Actual
and Ending December 31, 2007 through 2011, Forecasted*

General Fund (continued)

| | 2004 Actual | 2005 Actual | 2006 Actual |
|--------------------------------|----------------|----------------|----------------|
| Police Administration | | | |
| Personal Services | \$291,000 | \$275,000 | \$283,000 |
| Police Communications | | | |
| Personal Services | 172,000 | 161,000 | 170,000 |
| Services and Supplies | 28,000 | 27,000 | 28,000 |
| Total Police Communications | 200,000 | 188,000 | 198,000 |
| Police Station | | | |
| Personal Services | 32,000 | 31,000 | 32,000 |
| Services and Supplies | 76,000 | 96,000 | 89,000 |
| Total Police Station | 108,000 | 127,000 | 121,000 |
| Police Substation | | | |
| Services and Supplies | 0 | 6,000 | 1,000 |
| Police Communication Equipment | | | |
| Services and Supplies | 2,000 | 2,000 | 2,000 |
| Tactical Response | | | |
| Services and Supplies | 2,000 | 3,000 | 3,000 |
| Community Education | | | |
| Services and Supplies | 9,000 | 8,000 | 11,000 |
| Firefighting | | | |
| Personal Services | 2,117,000 | 1,984,000 | 1,740,000 |
| Services and Supplies | 69,000 | 73,000 | 70,000 |
| Total Firefighting | 2,186,000 | 2,057,000 | 1,810,000 |
| Fire Communications | | | |
| Personal Services | 75,000 | 68,000 | 71,000 |
| Services and Supplies | 13,000 | 16,000 | 13,000 |
| Total Fire Communications | 88,000 | 84,000 | 84,000 |
| Fire Administration | | | |
| Personal Services | 205,000 | 169,000 | 180,000 |
| Fire Station | | | |
| Services and Supplies | 41,000 | 47,000 | 44,000 |
| Smoke Detectors | | | |
| Services and Supplies | \$0 | \$0 | \$0 |

| 2007 Forecasted | 2008 Forecasted | 2009 Forecasted | 2010 Forecasted | 2011 Forecasted |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$255,000 | \$263,000 | \$270,000 | \$278,000 | \$286,000 |
| 179,000 | 163,000 | 172,000 | 177,000 | 182,000 |
| 28,000 | 30,000 | 31,000 | 31,000 | 32,000 |
| 207,000 | 193,000 | 203,000 | 208,000 | 214,000 |
| 33,000 | 34,000 | 35,000 | 36,000 | 37,000 |
| 115,000 | 130,000 | 134,000 | 139,000 | 146,000 |
| 148,000 | 164,000 | 169,000 | 175,000 | 183,000 |
| 0 | 0 | 0 | 0 | 0 |
| 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 2,000 | 3,000 | 4,000 | 4,000 | 4,000 |
| 24,000 | 23,000 | 23,000 | 24,000 | 24,000 |
| 1,800,000 | 1,856,000 | 1,913,000 | 1,973,000 | 2,034,000 |
| 89,000 | 94,000 | 97,000 | 99,000 | 102,000 |
| 1,889,000 | 1,950,000 | 2,010,000 | 2,072,000 | 2,136,000 |
| 70,000 | 69,000 | 73,000 | 75,000 | 77,000 |
| 17,000 | 17,000 | 18,000 | 18,000 | 19,000 |
| 87,000 | 86,000 | 91,000 | 93,000 | 96,000 |
| 180,000 | 186,000 | 191,000 | 196,000 | 202,000 |
| 62,000 | 67,000 | 72,000 | 77,000 | 83,000 |
| \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |

(continued)

City of Eastlake, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2004 through 2006, Actual
and Ending December 31, 2007 through 2011, Forecasted*

General Fund (continued)

| | 2004 Actual | 2005 Actual | 2006 Actual |
|---------------------------------|------------------|------------------|------------------|
| Disaster Services | | | |
| Services and Supplies | \$0 | \$0 | \$61,000 |
| Auxiliary Police | | | |
| Personal Services | 9,000 | 5,000 | 2,000 |
| Services and Supplies | 0 | 0 | 0 |
| Total Auxiliary Police | 9,000 | 5,000 | 2,000 |
| Street Lighting | | | |
| Services and Supplies | 183,000 | 168,000 | 138,000 |
| Safety Administration | | | |
| Personal Services | 40,000 | 0 | 0 |
| Total Public Safety | 5,851,000 | 5,847,000 | 5,679,000 |
| Public Health | | | |
| Public Health Expense | | | |
| Services and Supplies | 147,000 | 175,000 | 207,000 |
| Recreation | | | |
| Recreation Administration | | | |
| Personal Services | 211,000 | 89,000 | 31,000 |
| Services and Supplies | 36,000 | 3,000 | 1,000 |
| Total Recreation Administration | 247,000 | 92,000 | 32,000 |
| Recreation Parks | | | |
| Personal Services | 334,000 | 177,000 | 197,000 |
| Services and Supplies | 92,000 | 96,000 | 105,000 |
| Total Recreation Parks | 426,000 | 273,000 | 302,000 |
| Houston/Fisher Pool | | | |
| Personal Services | 48,000 | 46,000 | 0 |
| Services and Supplies | 38,000 | 50,000 | 9,000 |
| Total Houston/Fisher Pool | 86,000 | 96,000 | 9,000 |
| Surfside Pool | | | |
| Personal Services | 40,000 | 0 | 0 |
| Services and Supplies | 7,000 | 1,000 | 1,000 |
| Total Surfside Pool | 47,000 | 1,000 | 1,000 |
| Recreation Programs | | | |
| Personal Services | 10,000 | 9,000 | 0 |
| Services and Supplies | 7,000 | 17,000 | 0 |
| Total Recreation Programs | \$17,000 | \$26,000 | \$0 |

| 2007 Forecasted | 2008 Forecasted | 2009 Forecasted | 2010 Forecasted | 2011 Forecasted |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$0 | \$0 | \$0 | \$0 | \$0 |
| 3,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 4,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 129,000 | 133,000 | 137,000 | 141,000 | 145,000 |
| 0 | 0 | 0 | 0 | 0 |
| 5,694,000 | 5,980,000 | 6,132,000 | 6,280,000 | 6,485,000 |
| 217,000 | 222,000 | 227,000 | 232,000 | 237,000 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 219,000 | 224,000 | 229,000 | 235,000 | 240,000 |
| 129,000 | 137,000 | 149,000 | 155,000 | 162,000 |
| 348,000 | 361,000 | 378,000 | 390,000 | 402,000 |
| 0 | 0 | 0 | 0 | 0 |
| 9,000 | 9,000 | 9,000 | 10,000 | 10,000 |
| 9,000 | 9,000 | 9,000 | 10,000 | 10,000 |
| 0 | 0 | 0 | 0 | 0 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| \$0 | \$0 | \$0 | \$0 | \$0 |

(continued)

City of Eastlake, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2004 through 2006, Actual
and Ending December 31, 2007 through 2011, Forecasted*

General Fund (continued)

| | 2004 Actual | 2005 Actual | 2006 Actual |
|-------------------------------------------------------|------------------|----------------|----------------|
| Recreation Garage Services and Supplies | \$21,000 | \$7,000 | \$0 |
| JFK Senior Center Personal Services | 101,000 | 0 | 0 |
| Services and Supplies | 24,000 | 8,000 | 11,000 |
| Total JFK Senior Center | 125,000 | 8,000 | 11,000 |
| Taft Senior Center Personal Services | 0 | 113,000 | 127,000 |
| Services and Supplies | 0 | 11,000 | 54,000 |
| Total Taft Senior Center | 0 | 124,000 | 181,000 |
| Community Center Services and Supplies | 21,000 | 25,000 | 23,000 |
| Cable TV Franchise Personal Services | 39,000 | 36,000 | 38,000 |
| Services and Supplies | 0 | 1,000 | 1,000 |
| Total Cable TV Franchise | 39,000 | 37,000 | 39,000 |
| Recreation Program Contracts Services and Supplies | 8,000 | 2,000 | 2,000 |
| Total Recreation | 1,037,000 | 691,000 | 600,000 |
| Community Development | | | |
| Building Inspection Personal Services | 210,000 | 167,000 | 228,000 |
| Services and Supplies | 14,000 | 17,000 | 45,000 |
| Total Building Inspection | 224,000 | 184,000 | 273,000 |
| Total Planning Commission Personal Services | 3,000 | 3,000 | 3,000 |
| Services and Supplies | 3,000 | 3,000 | 2,000 |
| Total Planning Commission | 6,000 | 6,000 | 5,000 |
| Zoning Board of Appeals Personal Services | 2,000 | 2,000 | 2,000 |
| Services and Supplies | 4,000 | 4,000 | 4,000 |
| Total Zoning Board of Appeals | \$6,000 | \$6,000 | \$6,000 |

| 2007 Forecasted | 2008 Forecasted | 2009 Forecasted | 2010 Forecasted | 2011 Forecasted |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$0 | \$0 | \$0 | \$0 | \$0 |
| 0 | 0 | 0 | 0 | 0 |
| 11,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| 11,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| 34,000 | 34,000 | 34,000 | 34,000 | 34,000 |
| 0 | 0 | 0 | 0 | 0 |
| 34,000 | 34,000 | 34,000 | 34,000 | 34,000 |
| 38,000 | 39,000 | 41,000 | 42,000 | 44,000 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 2,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 443,000 | 459,000 | 478,000 | 492,000 | 506,000 |
| 236,000 | 241,000 | 247,000 | 252,000 | 258,000 |
| 87,000 | 72,000 | 74,000 | 75,000 | 77,000 |
| 323,000 | 313,000 | 321,000 | 327,000 | 335,000 |
| 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| \$7,000 | \$7,000 | \$7,000 | \$7,000 | \$7,000 |

(continued)

City of Eastlake, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2004 through 2006, Actual
and Ending December 31, 2007 through 2011, Forecasted*

General Fund (continued)

| | 2004 Actual | 2005 Actual | 2006 Actual |
|---------------------------------------------------------------------------------|-----------------------------|---------------------------|---------------------------|
| Watershed Committee Services and Supplies | <u>\$5,000</u> | <u>\$1,000</u> | <u>\$16,000</u> |
| Architectural Board of Review Services and Supplies | <u>2,000</u> | <u>2,000</u> | <u>2,000</u> |
| Community Development Expense Services and Supplies | <u>28,000</u> | <u>23,000</u> | <u>0</u> |
| Total Community Development | <u>271,000</u> | <u>222,000</u> | <u>302,000</u> |
| Basic Utilities | | | |
| Solid Waste Collection Services and Supplies | <u>807,000</u> | <u>814,000</u> | <u>718,000</u> |
| Transportation | | | |
| Service Administration Personal Services | 139,000 | 110,000 | 154,000 |
| Services and Supplies | <u>13,000</u> | <u>13,000</u> | <u>19,000</u> |
| Total Service Administration | <u>152,000</u> | <u>123,000</u> | <u>173,000</u> |
| Street Maintenance and Repair Services and Supplies | <u>9,000</u> | <u>7,000</u> | <u>9,000</u> |
| Service Garage Services and Supplies | <u>34,000</u> | <u>43,000</u> | <u>67,000</u> |
| Rivers and Harbors Services and Supplies | <u>7,000</u> | <u>11,000</u> | <u>1,000</u> |
| Total Transportation | <u>202,000</u> | <u>184,000</u> | <u>250,000</u> |
| Other Financing Uses | | | |
| Transfers Out | <u>640,000</u> | <u>774,000</u> | <u>1,236,000</u> |
| Total Expenditures and Other Financing Uses | <u>12,084,000</u> | <u>12,139,000</u> | <u>12,459,000</u> |
| <i>Excess of Revenue Over (Under) Expenditures and Other Financing Uses</i> | 667,000 | 2,001,000 | 2,053,000 |
| Beginning Cash Balance (Deficit) | <u>(3,196,000)</u> | <u>(2,529,000)</u> | <u>(528,000)</u> |
| Ending Cash Balance (Deficit) | <u><u>(\$2,529,000)</u></u> | <u><u>(\$528,000)</u></u> | <u><u>\$1,525,000</u></u> |

| 2007 Forecasted | 2008 Forecasted | 2009 Forecasted | 2010 Forecasted | 2011 Forecasted |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$0 | \$8,000 | \$8,000 | \$8,000 | \$8,000 |
| 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| 0 | 0 | 0 | 0 | 0 |
| 338,000 | 336,000 | 344,000 | 350,000 | 358,000 |
| 793,000 | 855,000 | 887,000 | 922,000 | 957,000 |
| 153,000 | 156,000 | 158,000 | 160,000 | 163,000 |
| 25,000 | 25,000 | 26,000 | 27,000 | 27,000 |
| 178,000 | 181,000 | 184,000 | 187,000 | 190,000 |
| 15,000 | 16,000 | 16,000 | 17,000 | 17,000 |
| 68,000 | 69,000 | 72,000 | 75,000 | 78,000 |
| 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| 263,000 | 268,000 | 274,000 | 281,000 | 287,000 |
| 1,876,000 | 2,199,000 | 2,093,000 | 1,471,000 | 1,495,000 |
| 13,074,000 | 13,866,000 | 14,111,000 | 13,868,000 | 14,360,000 |
| 1,123,000 | (69,000) | (276,000) | 14,000 | (494,000) |
| 1,525,000 | 2,648,000 | 2,579,000 | 2,303,000 | 2,317,000 |
| \$2,648,000 | \$2,579,000 | \$2,303,000 | \$2,317,000 | \$1,823,000 |

City of Eastlake, Ohio
Schedule of Expenditures by Object and Department - Budget Basis
For the Years Ended December 31, 2004 through 2006, Actual
and Ending December 31, 2007 through 2011, Forecasted
General Fund

| Object/Department | 2004 Actual | 2005 Actual | 2006 Actual |
|-------------------------------------|------------------|------------------|------------------|
| <u>Personal Services</u> | | | |
| Mayor's Office | \$225,000 | \$154,000 | \$167,000 |
| Economic Developer Coordinator | 20,000 | 0 | 0 |
| Council Office | 47,000 | 48,000 | 49,000 |
| Clerk of Council | 36,000 | 35,000 | 37,000 |
| Finance Department | 355,000 | 301,000 | 341,000 |
| Human Resources Coordinator | 95,000 | 0 | 0 |
| City Income Tax | 106,000 | 117,000 | 126,000 |
| Legal Administration | 113,000 | 112,000 | 112,000 |
| City Hall Building | 24,000 | 40,000 | 41,000 |
| Civil Service Commission | 1,000 | 1,000 | 1,000 |
| Police Law Enforcement | 2,320,000 | 2,380,000 | 2,413,000 |
| Police Administration | 291,000 | 275,000 | 283,000 |
| Police Communications | 172,000 | 161,000 | 170,000 |
| Police Station | 32,000 | 31,000 | 32,000 |
| Firefighting | 2,117,000 | 1,984,000 | 1,740,000 |
| Fire Communications | 75,000 | 68,000 | 71,000 |
| Fire Administration | 205,000 | 169,000 | 180,000 |
| Auxiliary Police | 9,000 | 5,000 | 2,000 |
| Safety Administration | 40,000 | 0 | 0 |
| Recreation Administration | 211,000 | 89,000 | 31,000 |
| Recreation Parks | 334,000 | 177,000 | 197,000 |
| Houston/Fisher Pool | 48,000 | 46,000 | 0 |
| Surfside Pool | 40,000 | 0 | 0 |
| Recreation Programs | 10,000 | 9,000 | 0 |
| JFK Senior Center | 101,000 | 0 | 0 |
| Taft Senior Center | 0 | 113,000 | 127,000 |
| Cable TV Franchise | 39,000 | 36,000 | 38,000 |
| Building Inspection | 210,000 | 167,000 | 228,000 |
| Planning Commission | 3,000 | 3,000 | 3,000 |
| Zoning Board of Appeals | 2,000 | 2,000 | 2,000 |
| Service Administration | 139,000 | 110,000 | 154,000 |
| <i>Total Personal Services</i> | <u>7,420,000</u> | <u>6,633,000</u> | <u>6,545,000</u> |
| <u>Services and Supplies</u> | | | |
| Mayor's Office | 13,000 | 12,000 | 8,000 |
| Council Office | 9,000 | 10,000 | 10,000 |
| Clerk of Council | 11,000 | 10,000 | 10,000 |
| Finance Department | 57,000 | 75,000 | 77,000 |
| City Income Tax | 43,000 | 22,000 | 21,000 |
| Legal Administration | 56,000 | 113,000 | 49,000 |
| Municipal Court | 55,000 | 54,000 | 98,000 |
| City Hall Building | 88,000 | 97,000 | 89,000 |
| Post Office Building | 5,000 | 5,000 | 4,000 |
| Engineering Expense | 55,000 | 70,000 | 66,000 |
| Civil Service Commission | 2,000 | 2,000 | 5,000 |
| Elections Expense | 3,000 | 12,000 | 12,000 |
| General Government Expense | 1,710,000 | 2,142,000 | 2,144,000 |
| Police Law Enforcement | 167,000 | 328,000 | 328,000 |
| Police Communications | 28,000 | 27,000 | 28,000 |
| Police Station | 76,000 | 96,000 | 89,000 |

| 2007 Forecasted | 2008 Forecasted | 2009 Forecasted | 2010 Forecasted | 2011 Forecasted |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$126,000 | \$127,000 | \$128,000 | \$130,000 | \$131,000 |
| 0 | 0 | 0 | 0 | 0 |
| 49,000 | 51,000 | 51,000 | 53,000 | 53,000 |
| 38,000 | 39,000 | 40,000 | 41,000 | 42,000 |
| 325,000 | 300,000 | 306,000 | 313,000 | 320,000 |
| 0 | 0 | 0 | 0 | 0 |
| 126,000 | 130,000 | 134,000 | 138,000 | 142,000 |
| 114,000 | 115,000 | 116,000 | 117,000 | 119,000 |
| 42,000 | 43,000 | 44,000 | 45,000 | 46,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 2,400,000 | 2,500,000 | 2,550,000 | 2,600,000 | 2,700,000 |
| 255,000 | 263,000 | 270,000 | 278,000 | 286,000 |
| 179,000 | 163,000 | 172,000 | 177,000 | 182,000 |
| 33,000 | 34,000 | 35,000 | 36,000 | 37,000 |
| 1,800,000 | 1,856,000 | 1,913,000 | 1,973,000 | 2,034,000 |
| 70,000 | 69,000 | 73,000 | 75,000 | 77,000 |
| 180,000 | 186,000 | 191,000 | 196,000 | 202,000 |
| 3,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 219,000 | 224,000 | 229,000 | 235,000 | 240,000 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 34,000 | 34,000 | 34,000 | 34,000 | 34,000 |
| 0 | 0 | 0 | 0 | 0 |
| 236,000 | 241,000 | 247,000 | 252,000 | 258,000 |
| 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| 153,000 | 156,000 | 158,000 | 160,000 | 163,000 |
| <u>6,388,000</u> | <u>6,541,000</u> | <u>6,701,000</u> | <u>6,863,000</u> | <u>7,076,000</u> |

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 11,000 | 14,000 | 15,000 | 16,000 | 16,000 |
| 21,000 | 21,000 | 21,000 | 22,000 | 22,000 |
| 17,000 | 16,000 | 16,000 | 17,000 | 17,000 |
| 52,000 | 56,000 | 59,000 | 62,000 | 64,000 |
| 29,000 | 34,000 | 35,000 | 36,000 | 37,000 |
| 125,000 | 100,000 | 75,000 | 75,000 | 100,000 |
| 105,000 | 105,000 | 110,000 | 110,000 | 110,000 |
| 113,000 | 126,000 | 134,000 | 142,000 | 153,000 |
| 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 70,000 | 70,000 | 70,000 | 70,000 | 70,000 |
| 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| 2,060,000 | 2,173,000 | 2,295,000 | 2,426,000 | 2,566,000 |
| 300,000 | 400,000 | 400,000 | 400,000 | 400,000 |
| 28,000 | 30,000 | 31,000 | 31,000 | 32,000 |
| 115,000 | 130,000 | 134,000 | 139,000 | 146,000 |

(continued)

City of Eastlake, Ohio
Schedule of Expenditures by Object and Department - Budget Basis
For the Years Ended December 31, 2004 through 2006, Actual
and Ending December 31, 2007 through 2011, Forecasted
General Fund (continued)

| Object/Department | 2004 Actual | 2005 Actual | 2006 Actual |
|----------------------------------------------------|----------------------------|----------------------------|----------------------------|
| <u>Services and Supplies (continued)</u> | | | |
| Police Substation | \$0 | \$6,000 | \$1,000 |
| Police Communication Equipment | 2,000 | 2,000 | 2,000 |
| Tactical Response | 2,000 | 3,000 | 3,000 |
| Community Education | 9,000 | 8,000 | 11,000 |
| Firefighting | 69,000 | 73,000 | 70,000 |
| Fire Communications | 13,000 | 16,000 | 13,000 |
| Fire Station | 41,000 | 47,000 | 44,000 |
| Smoke Detectors | 0 | 0 | 0 |
| Disaster Services | 0 | 0 | 61,000 |
| Auxiliary Police | 0 | 0 | 0 |
| Street Lighting | 183,000 | 168,000 | 138,000 |
| Public Health Expense | 147,000 | 175,000 | 207,000 |
| Recreation Administration | 36,000 | 3,000 | 1,000 |
| Recreation Parks | 92,000 | 96,000 | 105,000 |
| Houston/Fisher Pool | 38,000 | 50,000 | 9,000 |
| Surfside Pool | 7,000 | 1,000 | 1,000 |
| Recreation Programs | 7,000 | 17,000 | 0 |
| Recreation Garage | 21,000 | 7,000 | 0 |
| JFK Senior Center | 24,000 | 8,000 | 11,000 |
| Taft Senior Center | 0 | 11,000 | 54,000 |
| Community Center | 21,000 | 25,000 | 23,000 |
| Cable TV Franchise | 0 | 1,000 | 1,000 |
| Recreation Program Contracts | 8,000 | 2,000 | 2,000 |
| Building Inspection | 14,000 | 17,000 | 45,000 |
| Planning Commission | 3,000 | 3,000 | 2,000 |
| Zoning Board of Appeals | 4,000 | 4,000 | 4,000 |
| Watershed Committee | 5,000 | 1,000 | 16,000 |
| Architectural Board of Review | 2,000 | 2,000 | 2,000 |
| Community Development Expense | 28,000 | 23,000 | 0 |
| Solid Waste Collection | 807,000 | 814,000 | 718,000 |
| Service Administration | 13,000 | 13,000 | 19,000 |
| Street Maintenance and Repair | 9,000 | 7,000 | 9,000 |
| Service Garage | 34,000 | 43,000 | 67,000 |
| Rivers and Harbors | 7,000 | 11,000 | 1,000 |
| <i>Total Services and Supplies</i> | <u>4,024,000</u> | <u>4,732,000</u> | <u>4,678,000</u> |
| <u>Other Financing Uses</u> | | | |
| Transfers Out | <u>640,000</u> | <u>774,000</u> | <u>1,236,000</u> |
| <i>Total Expenditures and Other Financing Uses</i> | <u><u>\$12,084,000</u></u> | <u><u>\$12,139,000</u></u> | <u><u>\$12,459,000</u></u> |

| 2007 Forecasted | 2008 Forecasted | 2009 Forecasted | 2010 Forecasted | 2011 Forecasted |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$0 | \$0 | \$0 | \$0 | \$0 |
| 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| 2,000 | 3,000 | 4,000 | 4,000 | 4,000 |
| 24,000 | 23,000 | 23,000 | 24,000 | 24,000 |
| 89,000 | 94,000 | 97,000 | 99,000 | 102,000 |
| 17,000 | 17,000 | 18,000 | 18,000 | 19,000 |
| 62,000 | 67,000 | 72,000 | 77,000 | 83,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 0 | 0 | 0 | 0 | 0 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 129,000 | 133,000 | 137,000 | 141,000 | 145,000 |
| 217,000 | 222,000 | 227,000 | 232,000 | 237,000 |
| 0 | 0 | 0 | 0 | 0 |
| 129,000 | 137,000 | 149,000 | 155,000 | 162,000 |
| 9,000 | 9,000 | 9,000 | 10,000 | 10,000 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 11,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| 0 | 0 | 0 | 0 | 0 |
| 38,000 | 39,000 | 41,000 | 42,000 | 44,000 |
| 0 | 0 | 0 | 0 | 0 |
| 2,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 87,000 | 72,000 | 74,000 | 75,000 | 77,000 |
| 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| 0 | 8,000 | 8,000 | 8,000 | 8,000 |
| 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| 0 | 0 | 0 | 0 | 0 |
| 793,000 | 855,000 | 887,000 | 922,000 | 957,000 |
| 25,000 | 25,000 | 26,000 | 27,000 | 27,000 |
| 15,000 | 16,000 | 16,000 | 17,000 | 17,000 |
| 68,000 | 69,000 | 72,000 | 75,000 | 78,000 |
| 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| <u>4,810,000</u> | <u>5,126,000</u> | <u>5,317,000</u> | <u>5,534,000</u> | <u>5,789,000</u> |
| <u>1,876,000</u> | <u>2,199,000</u> | <u>2,093,000</u> | <u>1,471,000</u> | <u>1,495,000</u> |
| <u>\$13,074,000</u> | <u>\$13,866,000</u> | <u>\$14,111,000</u> | <u>\$13,868,000</u> | <u>\$14,360,000</u> |

City of Eastlake, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2007 through 2011

Note 1 – The City

The City of Eastlake is located in Lake County, Ohio, east of the City of Cleveland and has a population of approximately 20,200. The City is a home rule municipal corporation organized under the laws of the State of Ohio. The City's current charter was adopted on November 3, 1953 and has been subsequently amended. The City's charter provides for a Council/Mayor form of government. The seven-member Council is elected to four-year terms.

On May 18, 2004, the Auditors of State's office declared the City of Eastlake to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three individuals whose residency or principal place of business is within the City and a designee from both the State Treasurer's Office and the Office of Budget Management. This Commission is required to adopt a financial recovery plan for the City. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the City must be conducted in accordance with the plan.

The City of Eastlake provides general governmental services, sewer services, park and recreation activities (leisure time activities), fire and police protection, a municipal court and community and environmental development. The major departments include administration, parks and recreation, fire, police, service (street construction and repair, street cleaning, snow removal and tree services), and sewer. The administration includes the mayor, council, law director, finance director, public service director, information technology director, and human resources director. The operation of each of these services and departments is directly controlled by City Council through the budgetary process.

Note 2 – Nature of Presentation

This financial forecast presents, to the best of the City's knowledge and belief, the expected revenues and expenditures and changes in fund balances for the forecast period. Accordingly, the forecast reflects the City's judgment, as of November 15, 2007, the date of the forecast, the expected conditions, and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents only the general fund which is significant to the operations of the City. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Note 3 – Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to maintain the historical financial information. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than

City of Eastlake, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2007 through 2011

when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The City maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund

The general fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is disbursed or transferred in accordance with Ohio Law and the City Charter.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds

Debt service funds are used to account for financial resources used to pay principal and interest on long-term debt.

Capital Projects Funds

Capital projects funds are to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trusts funds, investment trust funds, private-purpose trust funds and agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax

City of Eastlake, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2007 through 2011

budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations 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. The primary level of budgetary control adopted by City Council is established at the major object level within each department and fund. Any budgetary modifications at these levels may only be made by ordinance of Council.

Tax Budget – A budget of estimated cash receipts and disbursements is submitted to the Lake County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the succeeding year.

Estimated Resources – The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate of estimated is amended to include any unencumbered balances from the proceeding year. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations –A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances – The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditures of resources, not costs.

Note 4 – Revenue Assumptions

A. Property Taxes

Property Tax revenues consist of real property, public utility real and personal property, manufactured home and tangible personal property taxes. The City may request advances from the Lake County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues. The City uses property tax levies to finance general operations and police and fire operations.

City of Eastlake, Ohio
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2007 through 2011

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the City for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue". Beginning in 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. This change increased real property taxes collected against commercial and industrial property.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise real property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2006 for taxes collected in 2007. The next triennial update will take place in 2009 for taxes collected in 2010. Real property taxes are expected to increase by \$43,000 due to the triennial update scheduled in 2010. Beginning in 2006, House Bill 66 began the phase out of the business tangible personal property tax. The loss of tangible personal property tax revenues is offset by the increases in real property taxes.

The City's assessed values upon which property tax receipts were based for the current and last three years are as follows:

| Class of Property | 2004 | 2005 | 2006 | 2007 |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| Real Property: | | | | |
| Residential and Agriculture | \$300,368,820 | \$301,985,880 | \$303,652,570 | \$344,057,940 |
| Commercial and Industrial | 117,510,890 | 107,539,690 | 106,428,990 | 131,326,390 |
| Public Utility Personal Property | 76,961,960 | 75,669,550 | 81,820,810 | 83,770,050 |
| Tangible Personal Property | 44,527,575 | 42,779,588 | 30,690,386 | 21,245,374 |
| Total Assessed Value | <u>\$539,369,245</u> | <u>\$527,974,708</u> | <u>\$522,592,756</u> | <u>\$580,399,754</u> |

The property tax revenues are generated from several levies. The levy type, the fund in which the proceeds are received, and the full tax rate are as follows:

| Levy Type | Fund | Last Year of Collection | Total Rate (Per \$1,000 of Assessed Valuation) |
|----------------|-----------------------|-------------------------|---------------------------------------------------|
| Inside Millage | General | n/a | \$1.98 |
| Inside Millage | Fire Pension | n/a | 0.30 |
| Inside Millage | Police Pension | n/a | 0.30 |
| Inside Millage | Debt Service | n/a | 0.42 |
| Voted Levies: | | | |
| Operating | General | 2012 | 1.80 |
| Operating | Road Levy | 2009 | 3.00 |
| Operating | Permanent Improvement | 2011 | 0.50 |
| Total | | | <u>\$8.30</u> |

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except debt levies, increases in revenues are restricted to amounts generated from new construction. Debt levies are intended to generate a set revenue amount annually. The revenue generated by debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property.

City of Eastlake, Ohio
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2007 through 2011

Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. The effective residential and agricultural real property tax rates and the effective commercial and industrial real property tax rates for the current and last three years are as follows:

| Levy Type | Full Tax Rate | Effective Rates for Collection Years | | | | | | | |
|---------------------|------------------|--------------------------------------|--------|--------|--------|---------------------------|--------|--------|--------|
| | | Residential and Agricultural | | | | Commercial and Industrial | | | |
| | | 2004 | 2005 | 2006 | 2007 | 2004 | 2005 | 2006 | 2007 |
| Inside Millage | 3.0000 | 3.0000 | 3.0000 | 3.0000 | 3.0000 | 3.0000 | 3.0000 | 3.0000 | 3.0000 |
| Outside Millage | | | | | | | | | |
| General | 1.8000 | 0.7693 | 0.7696 | 0.7695 | 0.6807 | 0.8410 | 0.9242 | 0.9255 | 0.7425 |
| Road Levy | 3.0000 | 1.5090 | 1.5096 | 1.5094 | 1.3352 | 2.0400 | 2.2417 | 2.2446 | 1.8009 |
| Capital Improvement | 0.5000 | 0.3142 | 0.3143 | 0.3142 | 0.2780 | 0.3486 | 0.3832 | 0.3837 | 0.3078 |

Tangible Personal Property: Tangible Personal Property taxes have had numerous changes in the past several years. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Effective for tax years 2005 and 2006, the assessment rate on inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it was completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 phased out, over a four year period, tangible personal property tax on most business inventory, machinery and equipment, and furniture and fixtures, by reducing the assessment rate on the property each year. This change supersedes the changes and phase-out periods addressed above. No tangible personal property taxes will be levied or collected in 2009. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The State of Ohio will reimburse the City for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenue below). Once the phase out is complete, the annual loss of tangible personal property tax revenue, based on 2005 collections, will be approximately \$1,265,000 in the General Fund.

B. Municipal Income Tax

The City levies a municipal income tax of two percent on all income earned within the City as well as income of residents earned outside the City. The City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. The entire amount of the tax is voter approved. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration and return annually. The City also

City of Eastlake, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2007 through 2011

receives income tax from the utility and cell phone companies operating in the City from the State. This amount varies significantly annually.

All income tax money is receipted into the General Fund and used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service, and other governmental functions when needed, as determined by Council. In 2007, income tax revenues are expected to decrease by \$178,000 from 2006 levels, due to the City making further efforts in 2006 to collect delinquent income taxes. For years 2008 through 2011, income tax collections are anticipated to level off. A company will be leaving the City at the end of 2007, and the population in the City has been decreasing slightly. These factors will be offset by slight increases, based on the assumption that residents will receive pay increases annually.

C. Franchise Taxes

Franchise Taxes consists of cable franchise fees. Based upon historical data, cable franchise fees are anticipated to increase approximately \$7,000 each year of the forecasted period.

D. Intergovernmental Revenues

Intergovernmental Revenues include local government monies, local government revenue assistance and property tax allocations for rollback, homestead and tangible personal property. The local government and local government revenue assistance funds are distributed monthly by the State to the City and by the county auditor to the City. The property tax allocations for rollbacks, homestead and tangible personal property are received from the State and are based on information provided by the county auditor. Several of the allocations are being eliminated during the forecasted period.

In 2006, the State began reimbursing the City for lost revenue due to the phase out of tangible personal property tax. In the first five years, the City will be reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be made for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the City is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the City anticipates receiving a steadily increasing reimbursement for the tangible personal property tax phase out until 2012 when the amount begins to decline, due to a phase out of the tangible personal property loss reimbursement beginning in that year.

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes caused by the homestead and rollback tax relief programs. In 2006, the State eliminated the ten percent rollback on commercial and industrial real property. The change increased real property taxes and decreased intergovernmental revenue.

Beginning in tax collection year 2008, the State granted an additional homestead exemption for the first \$25,000 in market value. This new exemption will increase property tax allocation revenue and decrease general property tax revenues by an equal amount. No increase has been included in intergovernmental revenues nor a decrease in general property tax because the amount cannot yet be determined.

City of Eastlake, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2007 through 2011

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the City for the lost revenue. In 2004, the State began to phase out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Section 503.12(B) of House Bill 66 (126th General Assembly) established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. House Bill 119 (127th General Assembly), extended the freeze on local government and local government revenue assistance funds through calendar year 2007 equal to the amounts funded during calendar year 2006. Beginning in calendar year 2008, the local government and the local government revenue assistance programs will be consolidated into one local government fund. Also beginning in 2008, funds will be distributed based on a designated percentage of General Revenue Fund tax revenues. The forecast assumes the continuation of the local government and local government revenue assistance programs at the same amount as received in prior years as the State General Revenue Fund is expected to grow less the one percent annually.

Other intergovernmental revenue consists primarily of estate tax, cigarette tax, and liquor permits. Based upon historical data, cigarette tax, juvenile diversion grant and liquor permits revenue will remain constant throughout the forecasted period. Estate tax is uncertain and is therefore not included in the forecasted revenue.

E. Charges for Services

Charges for Services receipts are generated primarily from garbage collection fees, service department inspection fees, and rental income. Garbage collection fees are anticipated to decrease by \$30,000 during 2007 due to the City collecting a large amount of delinquencies in 2006. The City entered into a rental agreement for the rental of the community center in 2007, which increased rental receipts by \$29,000. For 2008 through 2011, all revenues will remain at 2007 levels. Other charges for services combine for an increase of \$4,000 over 2006 levels.

F. Licenses, Permits and Fees

Licenses, Permits and Fees receipts represent charges for various permits, licenses and fees to residents of the City. For 2007, a slight increase is anticipated, due to increases in ground maintenance fees. The City made a conscious effort to collect delinquent ground maintenance fees in 2007. This increase was offset by a decrease in building department fee receipts. For years 2008 through 2011, receipts are expected to level off at \$176,000.

G. Fines and Forfeitures

Fines and Forfeitures receipts include police department fines, fire department parking fines and confinement fees. A \$5,000 increase is expected in 2007, due to the City receiving additional police fines. For years 2008 through 2011, receipts are anticipated to remain consistent at \$220,000 per year.

H. Interest

Interest receipts for 2007 are anticipated to remain consistent with 2006 levels, and decrease to \$250,000 annually for years 2008 through 2011, as interest rates decrease. The City's has investments in STAROhio and money market accounts.

City of Eastlake, Ohio
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2007 through 2011

I. Other

Other revenue includes fees for copies, refunds and reimbursements. A \$204,000 decrease is forecasted for 2007, due to the City receiving reimbursements in 2006 for workers' compensation and for flood damage. In 2007, the City received a one-time reimbursement of \$30,000 for a civil settlement, as well as a one-time reimbursement of \$12,000 for a police cruiser that was wrecked. For years 2008 through 2011, other revenue is anticipated to level out at \$10,000 annually.

Note 6 – Expenditure Assumptions

A. Personal Services

Personal services include salaries, wages and longevity paid to the employees and elected officials of the City. The positions in the departments of economic development and human resources, and employees at the Surfside pool, Houston/Fisher pool and cable TV station were all eliminated and are not expected to be replaced during the forecast period. All employees receive their compensation on a bi-weekly basis. City Council, by ordinance or negotiated agreements, sets the salary and hourly rates for elected officials and employees. Staffing levels at the City decreased from 150 in 2004 to 141 in 2005, and decreased to 132 in 2006. Staffing levels for 2007 are anticipated at 130 and will level off at 126 for years 2008 through 2011.

The City has labor agreements with the Fraternal Order of Police, Ohio Labor Council, Inc. (patrolmen), the Fraternal Order of Police, Ohio Labor Council, Inc. (dispatchers), the Fraternal Order of Police, Ohio Labor Council, Inc. (sergeants and lieutenants), International Association of Fire Fighters, Local 2860, AFL-CIO, and Local 3058, and Ohio Council 8 American Federation of State, County and Municipal Employees, AFL-CIO. The labor agreements allow for a two percent increase for all bargaining unit employees in 2007. All labor agreements expire December 31, 2007. All bargaining unit employees are paid longevity based on years of service ranging from \$500 to \$2,500.

The City Council includes seven elected members and one full time administrative position. The Council president is paid \$7,800 per year, while the Council members are paid \$6,700 per year, payable in equal monthly installments. A \$300 increase will be given in 2008 and every other year thereafter.

The General Fund has administrative employees in the Finance, Legal, Income Tax, Building and Service departments. A two percent increase was given to these employees beginning January 1, 2007. For years 2008 through 2011, the City anticipates these employees to receive a two percent increase.

Salaries and wages for all employees increased two percent in 2007. The City has assumed annual base increases of at least two percent, similar to the current negotiated agreements for 2008 through 2011. These agreements are subject to negotiations and approval by City Council. The likelihood of achieving similar base increases for the years 2008 through 2011 is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. For each additional one percent increase in salaries, the forecasted expenditures would increase by amounts of \$64,000, \$65,000, 67,000 and \$69,000 for all employees in the general fund for years 2008 through 2011, respectively.

City employees earn vacation based upon years of service. An employee is permitted to carry over from one year to the next immediate year up to two weeks earned but unused vacation leave, which must be taken during the next immediate year, or it is forfeited. An employee at the end of his/her anniversary

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year who has vacation time in excess of the allowable carryover may, with two weeks notice, cash in a maximum of two weeks vacation. Every employee must use a minimum of two weeks of vacation annually. If an employee with at least one year of service voluntarily or involuntarily leaves the City, that employee is entitled to receive payment for all earned and accrued but unused vacation time.

Police employees are permitted to carry over from one year to the next immediate year up to one year of earned but unused vacation leave, but not more than two years, which must be taken during the next immediate year, or it is forfeited. If an employee at the end of their anniversary year has vacation time remaining, they may receive payment at their regular rate for those hours. Every employee must use a minimum of two weeks annually. Upon separation from employment, except for cause, an employee is entitled to compensation for any unused vacation leave accrued to his/her credit and vacation leave earned but no credited since the employee's previous anniversary date.

Fire fighters' vacation must be taken as time off during that next immediate year or it is forfeited. Upon departure from City employment, a fire fighter will be paid for unused vacation leave. If a fire fighter at any time during their vacation accrual year has vacation time remaining, they may receive payment at their regular rate for these hours once each vacation accrual year. Every employee must use a minimum of one shift annually. Forty hour employees must use a minimum of two weeks annually. Upon separation from the City, except for cause, and employee is entitled to compensation for the prorated portion of any earned by unused vacation leave for the current year to his credit at the time of separation and for any unused vacation leave accrued that had been carried over.

The City paid out \$315,000 in vacation payouts in 2005 and \$267,000 in 2006, and \$293,000 is forecasted for 2007.

B. Services and Supplies

Presented below is a comparison of services and supplies for years 2007 through 2011.

| | Forecast Year 2007 | Forecast Year 2008 | Forecast Year 2009 | Forecast Year 2010 | Forecast Year 2011 |
|-------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Employee Benefits - Employer's Retirement | \$374,000 | \$381,000 | \$389,000 | \$396,000 | \$404,000 |
| Employee Benefits - Workers' Compensation | 231,000 | 240,000 | 240,000 | 250,000 | 250,000 |
| Employee Benefits - Insurance | 1,135,000 | 1,224,000 | 1,346,000 | 1,433,000 | 1,552,000 |
| Employee Benefits - Unemployment/Medicare | 103,000 | 104,000 | 104,000 | 108,000 | 111,000 |
| Materials and Supplies | 287,000 | 297,000 | 305,000 | 310,000 | 314,000 |
| Equipment | 206,000 | 318,000 | 323,000 | 328,000 | 333,000 |
| Professional Services/Contracts | 1,699,000 | 1,721,000 | 1,735,000 | 1,803,000 | 1,885,000 |
| Conferences, Meetings and Board Travel | 49,000 | 51,000 | 51,000 | 52,000 | 52,000 |
| Maintenance and Repairs | 118,000 | 133,000 | 136,000 | 142,000 | 143,000 |
| Utilities | 367,000 | 396,000 | 419,000 | 443,000 | 475,000 |
| Fuel | 109,000 | 122,000 | 125,000 | 125,000 | 126,000 |
| Other | 132,000 | 139,000 | 144,000 | 144,000 | 144,000 |
| Total Services and Supplies | \$4,810,000 | \$5,126,000 | \$5,317,000 | \$5,534,000 | \$5,789,000 |

All full-time employees, other than police and firefighters, participate in Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised

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Code. Employees contributed 8.5 percent of their annual-covered wages for 2004 and 2005. The City contributed 9.55 percent and 13.70 percent, respectively, of annual-covered wages for 2004 and 2005, respectively. Employees contributed 9.00 percent of their annual-covered wages and the City contributed 13.70 percent of annual-covered wages for 2006. Starting in 2007 both the employee and employer rates increase annually. The employee share is 9.50 percent in 2007 and 10.00 percent (the maximum) thereafter. The employer rate is 13.85 percent in 2007 and 14.00 percent (the maximum) thereafter.

All full-time police and firefighters contribute to the Ohio Police and Fire Fund (OP&F). OP&F provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. Police and firefighters are required to contribute 10 percent of their annual-covered wages and the City is required to contribute 19.5 percent for police and 24 percent for firefighters of the annual-covered wages. These rates have been in effect since 2004 and are anticipated to remain in effect for the remainder of the forecast. Retirement costs are paid from the police and fire pension special revenue funds through property taxes and transfers from the general fund.

All City employees with the exception of fire fighters earn sick leave at the rate of four and six-tenths (4.6) hours for every eighty (80) hours actually worked. Fire fighters earn sick leave at the rate of six hours for every one hundred four hours worked. There is no limit on the amount of sick leave that can be accrued. City employees and fire fighters with ten years or more of service receive payment of accrued sick leave up to 1,344 hours upon retirement at the following percentages:

| Length of Service | Percentage of Hours up to 1,344 |
|-------------------------|---------------------------------------|
| 10 to 12 years | 25 % |
| 13 to 15 years | 50 |
| 16 and over | 75 |

All hours of sick leave earned over 1,344 hours is paid at the rate of twenty percent.

The City pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. Premiums are paid in the following calendar year. The City may choose to pay the entire premium in May or 45 percent in May and 55 percent in September.

In March of 2007, the City switched its health, dental and vision benefits to the Lake County Commissioners Health Insurance Plan. Life insurance is provided by Principal Life for all City employees except for AFSCME employees who are covered under the Ohio AFSCME Care Plan. Premiums for 2007 through 2011 are anticipated from \$1,038,000 through \$1,466,000, respectively, a nine percent increase per year. The City pays the premiums for medical benefits from the general fund.

Materials and supplies and equipment expenditures are forecasted to increase during the forecast period due to the City being in a better financial condition to purchase supplies and equipment to perform the overall operations of the City.

Professional service/contracts costs include contracts, legal fees, audit costs and County Auditor fees. These expenditures are anticipated to increase in 2008, 2009 and 2010, the years of contract negotiations.

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The City's utility expenditures are for electric, natural gas, water and telephone. The City anticipates average yearly increases of \$26,000 in the cost of utilities which is primarily due to the increasing cost of natural gas and electricity.

Fuel expenditures are for the costs of gas and oil for all City vehicles. An average increase of \$5,000 per year is expected throughout the forecast due to the rising costs of gasoline.

The most significant item included in other expenditures is the income tax refunds. These are anticipated at \$120,000 for years 2007 and 2008, and \$125,000 for years 2009 through 2011.

C. Transfers

Transfers for the years 2007 through 2011, consist of the following:

| Transfer To | General Fund Transfers | | | | |
|----------------------------------|------------------------|-------------|-------------|-------------|-------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Police Pension Fund | \$333,000 | \$346,000 | \$360,000 | \$374,000 | \$389,000 |
| Fire Pension Fund | 218,000 | 218,000 | 223,000 | 227,000 | 236,000 |
| Taft Senior Center Donation Fund | 0 | 70,000 | 70,000 | 70,000 | 70,000 |
| General Bond Retirement Fund | 1,200,000 | 1,200,000 | 1,200,000 | 560,000 | 560,000 |
| Callable Bond Fund | 125,000 | 240,000 | 240,000 | 240,000 | 240,000 |
| Sewer Rehabilitation Fund | 0 | 125,000 | 0 | 0 | 0 |
| Total | \$1,876,000 | \$2,199,000 | \$2,093,000 | \$1,471,000 | \$1,495,000 |

The transfers to the police pension and fire pension special revenue funds are made in order to cover a portion of retirement contributions not covered by the .30 mill levies. The annual transfer to the Taft Senior Center fund will be made to subsidize the Center's operations. The transfers to the debt service funds are to make payments for the Municipal Stadium bonds. The one-time transfer to the sewer rehabilitation fund will be made to assist with necessary upgrades to the City's pump stations.

D. Shared Risk Pool

The City is a member of the Northern Ohio Risk Management Association (NORMA), a shared risk pool comprised of 10 member cities, from which the City obtains property and liability insurance, including vehicles. 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 cities.

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 \$97,500 per occurrence, will come from the self insurance pool, with any excess paid from the stop-loss coverage carried by the pool, which is \$5,000,000 per claim. 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. The premiums are forecasted at \$125,000 per year and are paid from the general fund.

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E. Pending Litigation

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. The forecast includes \$25,000 annually for settlements. Individual claims in excess of \$2,500 are covered by the City liability insurance. All settlements are paid from the general fund.

F. Other Funds

The City has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. In addition, there are certain funds that annually rely upon a subsidy from the general fund to meet their obligations. These subsidies are reported as transfers out and have been addressed in Note 6C.

The City has a sewer enterprise fund. The sewer fund is self sufficient and does not require subsidies from general fund revenues. Lake County bills for sewer services on behalf of the City based on water usage per month. The City sets the rates charged to residents for sewer services. Prior to 2007, the City was charged a \$3 per account per month administrative fee by the County. Beginning in January 2007, the fee was eliminated. Collections are sent to the City monthly.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 4, 2007**