



Dave Yost • Auditor of State

CITY OF EAST CLEVELAND
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion & Analysis	3
Financial Statements.....	11
Notes to the Financial Statements	21
Federal Awards Expenditures Schedule	43
Notes to the Federal Awards Expenditures Schedule	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Independent Accountants' Report on Compliance with Requirements Applicable To Each Major Federal Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133	47
Schedule of Findings.....	51
Schedule of Prior Audit Findings.....	65

This Page Intentionally Left Blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of East Cleveland
Cuyahoga County
14340 Euclid Avenue
East Cleveland, Ohio 44112

To the Members of City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of East Cleveland, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Ohio Administrative Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the City prepared its financial statements and notes following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Cleveland, Cuyahoga County, Ohio, as of December 31, 2007, and the respective changes in modified cash financial position, thereof and the respective budgetary comparison for the General and Street Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 17 to the financial statements, the City has accumulated unpaid bills which if processed would result in a negative fund balance. Note 17 describes Management's lack of a formal plan regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, required budgetary comparison schedules* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the City's financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

December 23, 2011

City of East Cleveland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The discussion and analysis of the City of East Cleveland's financial performance provides an overview of the City's financial activities for the year ended December 31, 2007, within the limitations of the City's modified cash basis accounting. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

Financial Highlights

Highlights for 2007 are as follows:

In total, the City's net assets increased 47 percent from the prior year; Governmental activities increased \$2,605,175, while business-type activities decreased \$1,373,959. The significant increase for governmental activities was based on a significant decrease in expenditures for the year. The significant decrease in business-type activities net assets is due to not enough revenue coming into the water and sewer funds to cover their expenditures.

General revenues made up 62 percent of the total revenues for governmental activities in 2007, and of this amount, 44 percent was provided through municipal income taxes, the most critical of the City's revenue sources.

Total outstanding debt decreased \$456,778, or 5 percent during 2007.

Using the Basic Financial Statements

Report Components

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's modified cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the City as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

City of East Cleveland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the City as a Whole

The statement of net assets and the statement of activities reflect how the City did financially during 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial condition, you should also consider other nonfinancial factors as well such as the City's property tax base, the condition of the City's capital assets and infrastructure, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the City into two types of activities:

Governmental activities Most of the City's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities The City has two business-type funds, water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the City's Most Significant Funds

Fund financial statements provide detailed information about the City's major funds - not the City as a whole. The City establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the City are split into three categories: governmental, proprietary and fiduciary.

City of East Cleveland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Governmental Funds All of the City's major activities (excluding the water and sewer funds) are reported in the governmental funds. The governmental fund financial statements provide a detailed view of the City's governmental operations and the basic service it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The City's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The City has one major fund, the general fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds When the City charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The City has two enterprise funds, water and sewer.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the City's program.

The City as a Whole

Table 1 provides a summary of the City's net assets for 2007 compared to 2006 on a modified cash basis:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Assets						
Equity in Pooled Cash and Cash Equivalents	\$3,633,081	\$2,416,528	\$0	\$0	\$3,633,081	\$2,416,528
Cash and Cash Equivalents in Segregated Accounts	194,933	180,270	0	0	194,933	180,270
Internal Balance	2,420,171	1,046,212	(2,420,171)	(1,046,212)	0	0
Total Assets	\$6,248,185	\$3,643,010	(\$2,420,171)	(\$1,046,212)	\$3,828,014	\$2,596,798
Net Assets						
Restricted for:						
Capital Projects	1,211,230	881,766	0	0	1,211,230	881,766
Debt Service	12,222	12,222	0	0	12,222	12,222
Other Purposes	1,671,209	1,156,629	0	0	1,671,209	1,156,629
Unrestricted (Deficit)	3,353,524	1,592,393	(2,420,171)	(1,046,212)	933,353	546,181
Total Net Assets	\$6,248,185	\$3,643,010	(\$2,420,171)	(\$1,046,212)	\$3,828,014	\$2,596,798

In total, assets increased \$1,231,216. For governmental activities, the decrease in expenditures is mainly due to the community development projects for the upkeep of the community, as well as a road improvement project that were both started in 2006 and completed in 2007. A decrease in expenditures is reflected from work done on these projects. For business-type activities, net assets decreased significantly due to expenditures continuing to exceed revenues received during the year.

City of East Cleveland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 reflects the changes in net assets on a modified cash basis in 2007 and 2006 for governmental activities and business-type activities.

Table 2
Changes in Net Assets

	Governmental Activities		Business - Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$5,352,955	\$2,668,211	\$7,861,470	\$7,855,313	\$13,214,425	\$10,523,524
Operating Grants and Contributions	3,105,331	3,850,791	0	0	3,105,331	3,850,791
Capital Grants and Contributions	42,528	1,087,534	232,586	167,799	275,114	1,255,333
Total Program Receipts	8,500,814	7,606,536	8,094,056	8,023,112	16,594,870	15,629,648
General Receipts:						
Property Taxes	2,433,243	2,964,059	0	0	2,433,243	2,964,059
Municipal Income Taxes	6,260,857	6,830,955	0	0	6,260,857	6,830,955
Hotel Taxes	2,148	2,040	0	0	2,148	2,040
Grants and Entitlements	4,969,346	3,859,591	0	0	4,969,346	3,859,591
Interest	199,983	236,682	61,294	1,878	261,277	238,560
Proceeds of OPWC Loans	0	888,429	0	0	0	888,429
Miscellaneous	349,176	512,317	75,213	43,960	424,389	556,277
Total General Receipts	14,214,753	15,294,073	136,507	45,838	14,351,260	15,339,911
<i>Total Receipts</i>	<i>22,715,567</i>	<i>22,900,609</i>	<i>8,230,563</i>	<i>8,068,950</i>	<i>30,946,130</i>	<i>30,969,559</i>
Disbursements:						
General Government	5,793,833	3,743,111	0	0	5,793,833	3,743,111
Security of Persons and Property	8,991,764	8,979,613	0	0	8,991,764	8,979,613
Leisure Time Activities	184,241	280,970	0	0	184,241	280,970
Basic Utility Services	907,837	1,262,009	0	0	907,837	1,262,009
Community Development	2,744,579	3,956,068	0	0	2,744,579	3,956,068
Transportation	860,624	812,661	0	0	860,624	812,661
Capital Outlay	83,494	2,031,075	0	0	83,494	2,031,075
Debt Service	544,020	603,308	0	0	544,020	603,308
Water	0	0	4,709,245	4,808,171	4,709,245	4,808,171
Sewer	0	0	4,895,277	4,919,890	4,895,277	4,919,890
Total Program Expenses	20,110,392	21,668,815	9,604,522	9,728,061	29,714,914	31,396,876
<i>Change in Net Assets</i>	<i>2,605,175</i>	<i>1,231,794</i>	<i>(1,373,959)</i>	<i>(1,659,111)</i>	<i>1,231,216</i>	<i>(427,317)</i>
<i>Net Assets (Deficit) Beginning of Year</i>	<i>3,643,010</i>	<i>2,411,216</i>	<i>(1,046,212)</i>	<i>612,899</i>	<i>2,596,798</i>	<i>3,024,115</i>
<i>Net Assets (Deficit) End of Year</i>	<i>\$6,248,185</i>	<i>\$3,643,010</i>	<i>(\$2,420,171)</i>	<i>(\$1,046,212)</i>	<i>\$3,828,014</i>	<i>\$2,596,798</i>

City of East Cleveland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 3 presents a summary for governmental activities, the total cost of services and the net cost of providing these services.

Table 3
Total and Net Cost of Program Services

	Total Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
General Government	\$5,793,833	\$3,743,111	(\$4,049,748)	(\$3,129,670)
Security of Persons and Property	8,991,764	8,979,613	(5,915,821)	(6,998,678)
Leisure Time Activities	184,241	280,970	(125,869)	(238,940)
Basic Utility Services	907,837	1,262,009	(616,993)	(1,073,226)
Community Development	2,744,579	3,956,068	(166,121)	(908,752)
Transportation	860,624	812,661	(107,512)	921,370
Capital Outlay	316,080	2,031,075	(83,494)	(2,031,075)
Debt Service	544,020	603,308	(544,020)	(603,308)
Total	<u>\$20,342,978</u>	<u>\$21,668,815</u>	<u>(\$11,609,578)</u>	<u>(\$14,062,279)</u>

Governmental Activities

The funding for governmental activities comes from several different sources, the most significant being the City's municipal income tax. Other prominent sources are property taxes, intergovernmental revenue, charges for services, and interest.

The City's income tax was established to be effective July 1, 1968 at a rate of one percent. This rate was effective until June 30, 1976. Beginning July 1, 1976 the rate was increased to 1.5 percent. On September 1, 1982, the rate increased to 2 percent. It is at that level as of December 31, 2007. The City does not allow any credit of the City's income tax rate for taxes paid to other political subdivisions in Ohio. The decrease in municipal income taxes revenue is due to income tax department cases being backlogged in the court. The income tax department aggressively pursues non-filing and late filing residents. When the court makes a judgment, the money is collected or a payment plan is established.

The increase in charges for services from the prior year is due to increased fines and forfeitures received during the year.

The decrease in grants and contributions from the prior year is due to a decrease in the amount of grants the City received during 2007.

The operations of the City's police and fire departments accounts for the largest expenses of the governmental activities, representing 45 percent of the total governmental activities expenses. The City's police department is a full-time 24-hour a day, 365-days a year department, with a full-time chief and 75 patrolmen and dispatchers. The fire department is staffed by 52 full time firefighters. The police and fire departments are operated with general fund dollars. The City allocates monies from the inside (unvoted) millage to the police pension and fire pension special revenue funds to pay the employer's portion of retirement and disability benefits to the Ohio Police and Fire Pension Fund. General government expenses account for 29 percent of governmental expenses, while operations for the City's Community Development program accounts for 14 percent of total governmental expenses.

City of East Cleveland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Business-Type Activities

The City operates a Utility Department that consists of water and sewer services. The largest activity is the water utility which includes water administration and distribution.

The water utility serves approximately 5,000 customer accounts, which include both residential and commercial customers. Of the 5,000 customers, 300 are commercial and 500 are homestead customers who pay a reduced rate.

The City purchases pre-treated water wholesale from the cities of Cleveland and Cleveland Heights and resells it to the residents. Currently the City pays \$21.75 per 1,000 cubic feet of water and resells it to residential and commercial customers for \$45.05 per 1,000 cubic feet. Homestead customers, who represent 10 percent of the City's accounts, pay a reduced rate of \$35.73 per 1,000 cubic feet.

The City pays \$26.08 per 1,000 cubic feet of water purchased to Northeast Ohio Regional Sewer District for sewer treatment services. The City owns and maintains the sewer lines throughout the City. The residential and commercial customers are charged \$47.72 per 1,000 cubic feet of water purchased for these sewer services. Homestead customers pay a reduced rate of \$35.63 per 1,000 cubic feet for these services.

The revenues and expenses for both these utilities are reported under the business-type activities in Table 2. The revenues are derived primarily from charges for services. In 2007, this amount of \$7,861,470 accounted for 97 percent of the total revenues. The total expenses for the utilities were \$9,604,522, a \$123,539 decrease from 2006 expenses.

The City's Funds

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified cash basis of accounting. All governmental funds had revenues of \$22,715,567 and expenditures of \$20,110,392. The City's governmental funds reflected an increase in fund balances of \$2,605,175 or 72 percent. The majority of this increase was due to continued use of a traffic violation program using cameras to document speeding violations.

Information about the enterprise funds starts on page 19. These funds are accounted for using the modified cash basis. All enterprise funds had operating revenues of \$7,936,683 and expenses of \$9,562,654. The City's enterprise funds had net assets of (\$2,420,171).

Budgeting Highlights

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control is at the department and object level for all budgeted funds. Any budgetary modifications at these levels may only be made by an ordinance of City Council. During 2007, a number of supplemental appropriation measures were authorized by the City Council. Administrative control of the budget is maintained through the establishment of detailed line-item budgets. Transfers are contained in the annual appropriation measure and are permitted once the permanent appropriation measure has been passed by City Council.

City of East Cleveland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Strong emphasis is placed on fund balances. The Finance Director reviews the fund balances on a daily basis. Special attention is paid to the City's most active funds, which are the general, water and sewer funds. Council receives a monthly report showing the beginning fund balance for all funds at the beginning of the year, month-to-date and year-to-date revenues and expenditures, and the current fund balance.

Line item reports are reviewed regularly by the Finance Director. The department heads also monitor their appropriations.

For the general fund, original and final budgeted revenues were \$15,748,768, and actual revenue collections were \$18,608,219. The majority of the increase in actual revenue over the final budgeted amounts is due to a larger amount of municipal income taxes as well as intergovernmental revenue received than expected. The implementation of an automatic traffic enforcement program has also created a larger amount of revenue than previously budgeted.

Also in the general fund, the original and final budgeted expenditures were \$16,451,109, and actual expenditures were \$16,897,442. The City's ending unencumbered cash balance in the general fund was \$3,600,798.

Debt Administration

The outstanding debt for the City of East Cleveland as of December 31, 2007 was \$8,321,155. This balance reflected a decrease of \$456,778 from the previous year's balance of \$8,777,933.

Table 4
Outstanding Debt at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
OPWC Loans	\$4,175,807	\$4,175,807	\$345,407	\$387,275	\$4,521,214	\$4,563,082
Notes Payable	2,232,685	2,611,394	0	0	2,232,685	2,611,394
Police and Fire Liability	1,506,405	1,534,911	0	0	1,506,405	1,534,911
Capital Leases	60,851	68,546	0	0	60,851	68,546
Totals	\$7,975,748	\$8,390,658	\$345,407	\$387,275	\$8,321,155	\$8,777,933

During 2007, principal payments totaling \$14,239 were made on the City's backhoe lease during the year leaving an outstanding principal balance at December 31, 2007 of \$30,291. The City entered into two new capital leases for copiers in 2007 for \$11,175. For 2007, principal payments for the new leases totaled to \$250 and there were \$4,381 in principal payments on the three other outstanding copier leases.

The Ohio Public Works Commission (OPWC) governmental activities loans are comprised of three separate, zero percent interest loans. The purpose of the loans is for the construction and improvement of streets. The loans will be paid over a period of 20 years from the general fund.

City of East Cleveland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Ohio Public Works Commission (OPWC) business-type activities loans are comprised of four separate, zero percent interest loans. The purpose of these loans is for the construction and improvement of various water and sewer projects, most notable of which is the 1997 water main project. These loans will be repaid over a period of 20 years by user fees. The loans will be retired between 2014 and 2020.

See Notes 12 and 13 in the financial statements for more information regarding the City's debt.

Current Financial Issues

The City of East Cleveland continues to struggle to maintain a revenue base to deliver services to the citizens of East Cleveland. Over the last fourteen years, income tax collections have increased from \$6,630,088, in 1992 to \$6,830,955 in 2006 or 3 percent from the year 1992, on a cash basis. Income tax collections for 2007 are \$6,260,857 on a cash basis.

The population of the City continues to decline at an average rate of 323 residents per year from 2000. Due to the decline in population and other current economic factors, income tax collections have continued to decrease by \$570,098 from 2006 to 2007 on a cash basis.

The Administration has made it a priority to review the current fee schedules to determine if the various rates currently being charged are adequate, considering the current operations. These fees include fire inspection fees, civic center fees and water rates. The City is monitoring its utility rates for all City customers in order to make the utility rates more representative of the actual cost of producing and administering the utilities. Both the administration and City Council have declared their intention of reviewing rates on a more frequent basis.

Contacting the City's Finance Department

This report is intended to provide the citizens and anyone interested in the financial aspects of the City of East Cleveland a general overview of the financial operations. If there are any questions, please feel free to contact the Finance Director, City of East Cleveland, 14340 Euclid Avenue, East Cleveland, Ohio 44112, Telephone (216) 681-2319.

City of East Cleveland, Ohio
Statement of Net Assets - Modified Cash Basis
 December 31, 2007

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,633,081	\$0	\$3,633,081
Cash and Cash Equivalents in Segregated Accounts	194,933	0	194,933
Internal Balance	2,420,171	(2,420,171)	0
<i>Total Assets</i>	<u>\$6,248,185</u>	<u>(\$2,420,171)</u>	<u>\$3,828,014</u>
Net Assets			
Restricted for:			
Capital Projects	\$1,211,230	\$0	\$1,211,230
Debt Service	12,222	0	12,222
Streets	583,222	0	583,222
Local Law Enforcement	290,636	0	290,636
Other Purposes	797,351	0	797,351
Unrestricted (Deficit)	3,353,524	(2,420,171)	933,353
<i>Total Net Assets</i>	<u>\$6,248,185</u>	<u>(\$2,420,171)</u>	<u>\$3,828,014</u>

See accompanying notes to the basic financial statements

City of East Cleveland, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$5,793,833	\$1,744,085	\$0	\$0
Security of Persons and Property	8,991,764	3,047,959	27,984	0
Leisure Time Activities	184,241	58,372	0	0
Basic Utility Services	907,837	290,844	0	0
Community Development	2,744,579	91,132	2,487,326	0
Transportation	860,624	120,563	590,021	42,528
Capital Outlay	83,494	0	0	0
Debt Service:				
Principal Retirement	426,085	0	0	0
Interest and Fiscal Charges	117,935	0	0	0
<i>Total Governmental Activities</i>	<u>20,110,392</u>	<u>5,352,955</u>	<u>3,105,331</u>	<u>42,528</u>
Business Type Activities				
Water	4,709,245	4,079,661	0	232,586
Sewer	4,895,277	3,781,809	0	0
<i>Total Business-Type Activities</i>	<u>9,604,522</u>	<u>7,861,470</u>	<u>0</u>	<u>232,586</u>
<i>Total</i>	<u>\$29,714,914</u>	<u>\$13,214,425</u>	<u>\$3,105,331</u>	<u>\$275,114</u>

General Receipts

Property Taxes Levied for:

 General Purposes

 Capital Projects

 Other Purposes

Municipal Income Taxes

Hotel Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets (Deficit) Beginning of Year

Net Assets (Deficit) End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$4,049,748)	\$0	(\$4,049,748)
(5,915,821)	0	(5,915,821)
(125,869)	0	(125,869)
(616,993)	0	(616,993)
(166,121)	0	(166,121)
(107,512)	0	(107,512)
(83,494)	0	(83,494)
(426,085)	0	(426,085)
(117,935)	0	(117,935)
(11,609,578)	0	(11,609,578)
0	(396,998)	(396,998)
0	(1,113,468)	(1,113,468)
0	(1,510,466)	(1,510,466)
(11,609,578)	(1,510,466)	(13,120,044)
1,951,683	0	1,951,683
370,430	0	370,430
111,130	0	111,130
6,260,857	0	6,260,857
2,148	0	2,148
4,969,346	0	4,969,346
199,983	61,294	261,277
349,176	75,213	424,389
14,214,753	136,507	14,351,260
2,605,175	(1,373,959)	1,231,216
3,643,010	(1,046,212)	2,596,798
\$6,248,185	(\$2,420,171)	\$3,828,014

City of East Cleveland, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2007

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,373,836	\$2,259,245	\$3,633,081
Cash and Cash Equivalents in Segregated Accounts	0	194,933	194,933
Interfund Receivable	2,420,171	0	2,420,171
<i>Total Assets</i>	<u>\$3,794,007</u>	<u>\$2,454,178</u>	<u>\$6,248,185</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$193,209	\$1,560,884	\$1,754,093
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	3,600,798	0	3,600,798
Special Revenue Funds	0	(319,574)	(319,574)
Debt Service Fund	0	12,222	12,222
Capital Projects Funds	0	1,200,646	1,200,646
<i>Total Fund Balances</i>	<u>\$3,794,007</u>	<u>\$2,454,178</u>	<u>\$6,248,185</u>

See accompanying notes to the basic financial statements

City of East Cleveland, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2007

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Municipal Income Taxes	\$6,260,857	\$0	\$6,260,857
Property Taxes	1,951,683	481,560	2,433,243
Hotel Taxes	2,148	0	2,148
Special Assessments	350,489	0	350,489
Charges for Services	663,956	277,575	941,531
Fees, Licenses and Permits	256,116	43,852	299,968
Fines and Forfeitures	3,660,329	100,638	3,760,967
Intergovernmental	4,920,792	3,196,413	8,117,205
Interest	199,983	0	199,983
Miscellaneous	341,866	7,310	349,176
<i>Total Receipts</i>	<u>18,608,219</u>	<u>4,107,348</u>	<u>22,715,567</u>
Disbursements			
Current:			
General Government	5,739,991	53,842	5,793,833
Security of Persons and Property	8,690,266	301,498	8,991,764
Leisure Time Activities	184,241	0	184,241
Basic Utility Services	907,837	0	907,837
Community Development	223,175	2,521,404	2,744,579
Transportation	415,861	444,763	860,624
Capital Outlay	0	83,494	83,494
Debt Service:			
Principal Retirement	425,281	804	426,085
Interest and Fiscal Charges	117,581	354	117,935
<i>Total Disbursements</i>	<u>16,704,233</u>	<u>3,406,159</u>	<u>20,110,392</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,903,986</u>	<u>701,189</u>	<u>2,605,175</u>
Other Financing Sources (Uses)			
Transfers In	0	80,000	80,000
Transfers Out	(80,000)	0	(80,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(80,000)</u>	<u>80,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,823,986	781,189	2,605,175
<i>Fund Balances Beginning of Year</i>	<u>1,970,021</u>	<u>1,672,989</u>	<u>3,643,010</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,794,007</u></u>	<u><u>\$2,454,178</u></u>	<u><u>\$6,248,185</u></u>

See accompanying notes to the basic financial statements

City of East Cleveland, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$5,127,193	\$5,127,193	\$6,260,857	\$1,133,664
Property Taxes	1,754,888	1,754,888	1,951,683	196,795
Hotel Taxes	1,795	1,795	2,148	353
Special Assessments	292,849	292,849	350,489	57,640
Charges for Services	755,410	755,410	663,956	(91,454)
Fees, Licenses and Permits	213,996	213,996	256,116	42,120
Fines and Forfeitures	3,058,367	3,058,367	3,660,329	601,962
Intergovernmental	3,522,938	3,522,938	4,920,792	1,397,854
Interest	167,095	167,095	199,983	32,888
Miscellaneous	854,237	854,237	341,866	(512,371)
<i>Total Receipts</i>	<u>15,748,768</u>	<u>15,748,768</u>	<u>18,608,219</u>	<u>2,859,451</u>
Disbursements				
Current:				
General Government	4,415,582	4,415,582	5,804,073	(1,388,491)
Security of Persons and Property	8,806,452	8,806,452	8,773,965	32,487
Leisure Time Activities	149,522	149,522	189,653	(40,131)
Basic Utility Services	1,339,074	1,339,074	926,965	412,109
Community Development	276,155	276,155	226,314	49,841
Transportation	968,554	968,554	433,610	534,944
Debt Service:				
Principal Retirement	385,135	385,135	425,281	(40,146)
Interest and Fiscal Charges	110,635	110,635	117,581	(6,946)
<i>Total Disbursements</i>	<u>16,451,109</u>	<u>16,451,109</u>	<u>16,897,442</u>	<u>(446,333)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(702,341)	(702,341)	1,710,777	2,413,118
Other Financing Uses				
Transfers Out	(143,000)	(143,000)	(80,000)	63,000
<i>Net Change in Fund Balance</i>	(845,341)	(845,341)	1,630,777	2,476,118
<i>Fund Balance Beginning of Year</i>	1,630,001	1,630,001	1,630,001	0
Prior Year Encumbrances Appropriated	340,020	340,020	340,020	0
<i>Fund Balance End of Year</i>	<u>\$1,124,680</u>	<u>\$1,124,680</u>	<u>\$3,600,798</u>	<u>\$2,476,118</u>

See accompanying notes to the basic financial statements

City of East Cleveland, Ohio
Statement of Fund Net Assets - Modified Cash Basis
Enterprise Funds
December 31, 2007

	Water	Sewer	Total
Assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Liabilities			
Interfund Payable	<u>\$676,581</u>	<u>\$1,743,590</u>	<u>\$2,420,171</u>
Net Assets			
Unrestricted	<u>(\$676,581)</u>	<u>(\$1,743,590)</u>	<u>(\$2,420,171)</u>

See accompanying notes to the basic financial statements

City of East Cleveland, Ohio
*Statement of Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2007*

	Water	Sewer	Total
Operating Receipts			
Charges for Services	\$4,079,661	\$3,781,809	\$7,861,470
Miscellaneous	75,213	0	75,213
<i>Total Operating Receipts</i>	<u>4,154,874</u>	<u>3,781,809</u>	<u>7,936,683</u>
Operating Disbursements			
Personal Services	529,739	419,126	948,865
Contractual Services	3,731,558	4,396,866	8,128,424
Materials and Supplies	77,653	30,124	107,777
Capital Outlay	232,586	0	232,586
Miscellaneous	95,841	49,161	145,002
<i>Total Operating Disbursements</i>	<u>4,667,377</u>	<u>4,895,277</u>	<u>9,562,654</u>
<i>Operating Loss</i>	<u>(512,503)</u>	<u>(1,113,468)</u>	<u>(1,625,971)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	232,586	0	232,586
Interest	30,647	30,647	61,294
Principal Retirement	(41,868)	0	(41,868)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>221,365</u>	<u>30,647</u>	<u>252,012</u>
<i>Change in Net Assets</i>	(291,138)	(1,082,821)	(1,373,959)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(385,443)</u>	<u>(660,769)</u>	<u>(1,046,212)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>(\$676,581)</u></u>	<u><u>(\$1,743,590)</u></u>	<u><u>(\$2,420,171)</u></u>

See accompanying notes to the basic financial statements

City of East Cleveland, Ohio
Statement of Fiduciary Assets and Liabilities - Modified Cash Basis
Agency Funds
December 31, 2007

Assets

Equity in Pooled Cash and Cash Equivalents	\$11,691
Cash and Cash Equivalents in Segregated Accounts	<u>301,970</u>

<i>Total Assets</i>	<u><u>\$313,661</u></u>
---------------------	-------------------------

Liabilities

Deposits Held and Due to Others	<u><u>\$313,661</u></u>
---------------------------------	-------------------------

See accompanying notes to the basic financial statements

(This Page Intentionally Left Blank)

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 - Reporting Entity

The City of East Cleveland is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own charter. The current Charter, which provides for a Council/Mayor form of government, was adopted in 1918.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative and executive purposes and presides at Council meetings. As the chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also appoints all department heads and executes all contracts, conveyances and evidences of indebtedness of the City.

Legislative authority is vested in a five member council with all five members elected at large for two year staggered terms. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money and accepts bids for materials and services and other municipal purposes.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments, and offices that are not legally separate from the City. For the City of East Cleveland, this includes the departments that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, public improvements, community development (planning and zoning), public health, culture and recreation, refuse collection, water, sewer and general administrative and legislative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Currently, the City has no component units.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The City does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the City's accounting policies.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of net assets presents the cash balance of the governmental and business-type activities of the City at year end. The government-wide statement of activities compares disbursements with program receipts for each program or function of the City's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the City is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a modified cash basis or draws from the general receipts of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are presented in three categories: governmental, proprietary, and fiduciary.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The following is the City's major governmental fund:

General Fund - The general fund accounts 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 expended or transferred according to the charter of the City and/or the general laws of Ohio.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds. The City has no internal service funds. The following are descriptions of the City's enterprise funds:

Water Fund - The water fund accounts for revenues generated from the charges for distribution of water to the residential and commercial users of the City.

Sewer Fund - The sewer fund accounts for sewer services to City individuals and commercial users in the City. The costs of providing these services are financed primarily through user charges.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds which account for contractor bid specification deposits and for the escrow of rent with the municipal court.

C. Basis of Accounting

The City's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the City are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the object level within each department for all budgeted funds. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the City Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations ordinance was passed by the City Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the City Council during the year.

E. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2007, investments were limited to STAROhio, mutual funds and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices or, in the case of mutual funds, current share price. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

STAROhio is an investment pool, managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were \$199,983 which includes \$84,364 assigned from other City funds.

F. Inventory and Prepaid Items

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The fund financial statements report outstanding interfund loans as interfund receivables/payables. Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balances are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's modified cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The City's modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for parks, recreation programs, senior citizen activities, police and fire pensions, community activities, law enforcement, and court programs. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

M. Fund Balance Reserves

The City reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Transfers between governmental activities are eliminated on the government-wide financial statements. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis), and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) in the general fund amounted to \$193,209.

Note 4 - Change in Accounting Principles

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, "Pension Disclosures".

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 5 – Accountability and Compliance

A. Accountability

The City had negative fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10:

Fund	Amount
Governmental Funds	
Older Americans	\$197,177
Community Development	173,502
Domestic Violence	48,752
Victims of Crimes Act	15,173
Community Cops	5,333
Enterprise Fund	
Water	676,581
Sewer	1,743,590

The following funds had total final appropriations in excess of estimated resources plus carryover balances, contrary to Section 5705.39, Revised Code.

Fund	Final Estimated Revenues Plus Carryover Balance	Final Appropriations	Excess
Governmental Funds			
<i>Special Revenue Funds:</i>			
Older Americans	\$225,643	\$274,487	\$48,844
FEMA Grant	158,556	161,602	3,046
Special Purpose Grant	626	249,978	249,352
Domestic Violence	8,242	46,149	37,907
DARE	0	15,000	15,000
Computer Legalize Fees	31,181	51,783	20,602
Community Cops	(5,333)	0	5,333
Victims of Crimes Act	59,924	72,429	12,505
<i>Capital Projects Fund:</i>			
Street Resurfacing	0	1,100,000	1,100,000
Enterprise Funds			
Water	3,999,381	5,002,207	1,002,826
Sewer	4,256,102	5,418,860	1,162,758

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Contrary to Section 5705.41 (B), Ohio Revised Code, the following funds and departments within the general fund had expenditures plus encumbrances in excess of appropriations:

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
General Government			
Mayor			
Personal Services	\$168,706	\$185,664	\$16,958
Materials and Supplies	7,062	9,021	1,959
Other	41	45	4
Capital Outlay	1,245	1,362	117
Finance			
Personal Services	322,364	375,303	52,939
Materials and Supplies	5,779	8,581	2,802
Other	1,216	1,248	32
Capital Outlay	381	6,556	6,175
Law Director			
Personal Services	313,175	337,407	24,232
Materials and Supplies	2,603	3,090	487
Contractual Services	15,779	17,162	1,383
Other	3,341	3,600	259
Courts			
Other	0	5,929	5,929
Tax			
Materials and Supplies	1,900	3,333	1,433
Other	0	249,152	249,152
Capital Outlay	0	1,554	1,554
Engineering and Buildings			
Other	8	98	90
Central Services			
Personal Services	38,507	97,161	58,654
Materials and Supplies	4,528	7,404	2,876
Contractual Services	1,176,245	2,616,198	1,439,953
Other	242	277	35
Capital Outlay	102,188	276,518	174,330
Land and Buildings			
Personal Services	0	80,674	80,674
Materials and Supplies	1,585	2,659	1,074
Contractual Services	580	2,278	1,698
EDP-Vital Statistics			
Personal Services	107,430	109,674	2,244
Purchasing			
Personal Services	61,000	62,126	1,126

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
<i>General Fund (continued)</i>			
Security of Persons and Property			
Police Department			
Materials and Supplies	\$108,726	\$114,000	\$5,274
Capital Outlay	0	4,465	4,465
Fire Department			
Personal Services	4,048,782	4,296,568	247,786
Contractual Services	12,810	18,892	6,082
Capital Outlay	275	16,209	15,934
Forestry			
Personal Services	0	51,328	51,328
Leisure Time Activities			
Parks and Recreation			
Personal Services	107,806	150,105	42,299
Other	1,500	1,535	35
Basic Utility Services			
Refuse Collection			
Personal Services	0	7,084	7,084
Street Cleaning			
Contractual Services	8,567	8,590	23
Snow Removal			
Personal Services	0	56,775	56,775
Materials and Supplies	0	1,070	1,070
Contractual Services	0	1,800	1,800
Debt Service			
Principal Retirement	385,135	425,281	40,146
Interest and Fiscal Charges	110,635	117,581	6,946
<i>Special Revenue Funds</i>			
Street			
Transportation			
Materials and Supplies	200,916	236,015	35,099
Older Americans			
Community Development			
Personal Services	223,730	292,696	68,966
Contractual Services	35,900	39,485	3,585
Capital Outlay	0	720	720
Community Development			
Community Development			
Materials and Supplies	12,038	16,091	4,053
Domestic Violence			
Security of Persons and Property			
Contractual Services	8,610	34,101	25,491

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
<i>Special Revenue Funds (continued)</i>			
Computer Legalize Fees			
General Government			
Other	\$51,783	\$57,366	\$5,583
Engineering and Building			
General Government			
Contractual Services	0	326	326
Victims of Crimes Act			
Security of Persons and Property			
Contractual Services	4,836	18,794	13,958
JAG Grant			
Security of Persons and Property			
Personal Services	0	20,878	20,878
Capital Outlay	0	16,661	16,661
<i>Enterprise Funds</i>			
Water Fund			
Materials and Supplies	86,036	87,947	1,911
Contractual Services	3,943,388	4,174,593	231,205
Capital Outlay	233,409	235,679	2,270
Sewer Fund			
Capital Outlay	709	4,198	3,489

Contrary to Section 5705.36(A)(2), the following funds had appropriations in excess of actual receipts plus unencumbered cash:

Fund	Actual Receipts Plus Unencumbered Cash	Final Appropriations	Excess
Community Development	\$396,021	\$1,655,699	(\$1,259,678)
Special Purpose Grant (HUD)	(93,797)	152,965	(246,762)
Home Program Fund	441,131	1,601,573	(1,160,442)
Water	3,919,748	4,615,319	(695,571)
Sewer	2,999,051	5,159,560	(2,160,509)

Although these budgetary violations were not corrected by fiscal year end, the above final citations are a result of management failing to submit its approved appropriation realignments to the County Auditor. In future periods, management will ensure that appropriations will be closely monitored to prevent future violations.

Note 6 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City Treasury, in commercial accounts payable withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Investments

As of December 31, 2007, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity (days)</u>
Victory Federal Money Market Mutual Fund	\$3,185,342	30
STAROhio	557,734	41
Repurchase Agreements:		
Federal Home Loan Mortgage Corporation Notes	1,554,432	daily
Total Investments	\$5,297,508	

Interest Rate Risk. The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by a least two percent and be marked to market daily.

Credit Risk. The underlying securities of the Repurchase Agreements and the Victory Federal Money Market Mutual Fund carries a rating of AAA by Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk. *The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2007:*

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Victory Federal Money Market Mutual Fund	60.13 %
StarOhio	10.53
Repurchase Agreements:	
Federal Home Loan Mortgage Corporation Notes	29.34

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 7 – Income Taxes

The City levies a municipal income tax of two percent on all salaries, wages, lottery winnings, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City.

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

Income tax proceeds are allocated to the general fund.

Note 8 - Property Taxes

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The full tax rate for all City operations for the year ended December 31, 2007, was \$12.70 per \$1,000 of assessed value.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$202,931,650
Tangible Personal Property	7,925,760
Public Utility Property	<u>7,870,760</u>
Total Assessed Values	<u>\$218,728,170</u>

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

Note 9 - Risk Management and Health Care Benefits

A. Risk Management

The City of East Cleveland is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees natural disasters. During 2007, the City contracted with Scottsdale Indemnity Company for blanket building and business personal property general liability with \$16,012,195 coverage.

Claims have not exceeded coverage in any of the last three years and there were no significant reductions in commercial coverage in any of the past three years.

The City is self-insured for vehicle liability coverage. The City accounts for vehicle claims in the general fund. There were two outstanding claims at December 31, 2007; however, neither was settled by year end, so there is no way to determine their effect on the financial statements at December 31, 2007.

Workers' compensation coverage is provided by the State. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

B. Health Care Benefits

Medical/surgical, dental and prescription insurance is offered to employees through Medical Mutual Insurance Company of Ohio for Police and Fire and Kaiser Permanente of Ohio for all non-classified employees. Medical Mutual Insurance Company of Ohio offers three options, with differing deductibles, co-pays and service options. For option one, individual coverage is \$412.10 per month while family coverage is \$1,030.69, option two offers individual coverage for \$370.75 per month and family coverage is \$927.33, and option three offers individual coverage for \$349.52 per month and family coverage is \$874.20. Medical Mutual also provides dental and vision coverage. The cost for dental coverage is \$21.93 for individual coverage and \$61.62 for family coverage. The cost for vision is \$6.01 for individual coverage and \$15.02 for family coverage. Kaiser Permanente also offers two options with differing deductibles, co-pays and service options. The cost for option one HMO is \$308.19 per month for individual coverage and \$770.81 per month for family coverage. Option two is \$335.40 per month for individual coverage and \$838.88 per month for family coverage.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Life insurance is offered to employees through United States Life Insurance Company. Police receive up to \$20,000 coverage for \$.40/\$1,000 coverage per month; firemen receive up to \$30,000 coverage for \$.40 per/\$1,000 coverage per month. The fire chief and police chief receive up to \$50,000 coverage for \$.40 per/\$1,000 coverage per month. For police and fire, the City pays half the monthly premium and the employee pays the other half. All other City employees pay \$.42 per \$1,000 of coverage per month up to a maximum of \$50,000.

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$276,192, \$347,480, and \$346,508, respectively; 87.24 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$5,810 made by the City and \$3,985 made by the plan members.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$354,046 and \$521,017 for the year ended December 31, 2007, \$329,586 and \$507,765 for the year ended December 31, 2006 and \$323,870 and \$527,128 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 89.25 percent has been contributed for police and 90.94 percent has been contributed for firefighters for 2007.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2007, the unfunded liability of the City was \$1,506,405 payable in semi-annual payments through year 2035. This is an accounting liability of the City which will not vary.

Note 11 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age, and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222 – 5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007 and 6.00 from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$211,102, \$169,963, and \$145,134 respectively; 83.94 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401 (h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401 (h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$233,520 and \$248,485 for the year ended December 31, 2007, \$217,386 and \$242,165 for the year ended December 31, 2006, and \$213,386 and \$251,399 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 89.25 percent has been contributed for police and 90.94 percent has been contributed for firefighters for 2007.

Note 12 – Local Government Fund Notes

On December 28, 2005, the City, in accordance with Ohio Revised Code Section 118.17(C), issued \$2,913,600 in local government fund notes at 4.19 percent interest to eliminate deficit funds. The note proceeds were transferred to the Older American, Community Development Block Grant, and Special Purpose Grant special revenue funds and to the Sewer fund. The notes will be repaid with local government monies. A schedule of changes during 2007 follows:

	Outstanding 12/31/2006	Additions	(Reductions)	Outstanding 12/31/2007
Governmental Activities				
Local Government Fund Notes	\$2,611,394	\$0	(\$378,709)	\$2,232,685

Principal and interest requirements to retire the notes outstanding at December 31, 2007, are as follows:

	Governmental Activities	
	Local Government Notes	
	Principal	Interest
2008	\$364,200	\$95,375
2009	364,200	80,115
2010	364,200	64,855
2011	364,200	49,595
2012	364,200	34,335
2013	411,685	19,074
Total	\$2,232,685	\$343,349

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 13 – Debt

Original issue amounts and year of maturity of the City’s loans were as follows:

Debt Issue	Original Issue	Year of Maturity
Governmental Activities		
OPWC Loans:		
2003 Euclid Avenue Rehabilitation	\$3,186,729	2022
2003 Coventry Road	105,946	2025
2006 Windermere/Idlewood/Knowles Road	888,429	2028
Business-Type Activities		
OPWC Loans:		
1994 Water Main Project Phase I	393,740	2014
1997 Water Main Project Phase II	406,900	2017
2000 Brunswick Road Water Main Improvement Project	23,164	2019
2000 Forest Hills Water Main Project	25,442	2020

All of the loans were obtained through the Ohio Public Works Commission (OPWC) and are interest free.

A schedule of changes in long-term obligations of the City during 2007 follows:

	Outstanding 12/31/2006	Additions	(Reductions)	Outstanding 12/31/2007	Due in One Year
Governmental Activities					
OPWC Loans:					
Euclid Avenue Rehabilitation	\$3,186,729	\$0	\$0	\$3,186,729	\$159,337
Coventry Road	100,649	0	0	100,649	15,892
Windemere/ Idlewood/ Knowles Road	888,429	0	0	888,429	0
Total OPWC Loans	4,175,807	0	0	4,175,807	175,229
Capital Leases	68,546	11,175	(18,870)	60,851	20,236
Police and Fire Pension Liability	1,534,911	0	(28,506)	1,506,405	29,833
Total Governmental Activities	\$5,779,264	\$11,175	(\$47,376)	\$5,743,063	\$225,298
Business-Type Activities					
OPWC Loans:					
Water Main Project Phase I	\$147,653	\$0	(\$19,686)	\$127,967	\$29,531
Water Main Project Phase II	207,390	0	(19,752)	187,638	29,627
Brunswick Road Water Main Improvement Project	15,058	0	(1,158)	13,900	1,737
Forest Hills Water Main Project	17,174	0	(1,272)	15,902	1,908
Total Business-Type Activities	\$387,275	\$0	(\$41,868)	\$345,407	\$62,803

Capital leases will be paid with various revenues from the general fund and the community development block grant special revenue fund. The police and fire pension liability will be paid from the general fund.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The Euclid Avenue rehabilitation OPWC loan will be paid from the general fund and the Coventry Road and Windemere/Idlewood/Knowles Road OPWC loans will be paid from the street fund. Enterprise OPWC loans will be paid from the water fund from user charges.

The City has pledged future revenues, net of operating expenses, to repay OPWC loans in the water fund. The debt is payable solely from net revenues and are payable through 2019. During 2007, the City did not have enough net revenues to meet the OPWC principal payments. The total principal remaining to be paid on the debt is \$345,407. Principal paid for the current year and total net revenues were \$41,868 and (\$586,627) respectively.

The City has entered into a contractual agreement for construction loans from the Ohio Public Works Commission (OPWC). Under the terms of these agreements, the OPWC will reimburse, advance or directly pay the construction costs of approved projects. The OPWC will capitalize administrative costs and construction interest and add them to the total amount of the final loan. The balance of these loans is \$4,521,214. The OPWC loan for the Windemere/Idlewood/Knowles Road Project has not been finalized and therefore the repayment schedule is not included in the schedule of debt requirements. The proceeds are in the street resurfacing capital projects fund.

The City's overall legal debt margin was \$19,685,535 at December 31, 2007.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007, are as follows:

	Governmental Activities		Business-Type Activities	
	Police and Fire Liability		OPWC Loans	
	Principal	Interest	Principal	Principal
2008	\$29,833	\$63,763	\$175,229	\$62,803
2009	31,103	62,583	209,055	41,869
2010	32,348	61,249	209,055	41,869
2011	33,690	59,907	209,055	41,869
2012	35,193	58,404	209,055	41,869
2013-2017	199,966	268,016	1,045,276	110,845
2018-2022	246,965	221,017	1,045,276	4,283
2023-2027	304,899	163,083	1,029,384	0
2028-2032	376,456	91,526	44,422	0
2033-2036	215,952	13,828	0	0
Total	\$1,506,405	\$1,063,376	\$4,175,807	\$345,407

Note 14 - Leases

A. Capital Leases

The City leases a backhoe and copiers under noncancelable leases. The City entered into a new lease during 2007 with Metrolease for copiers. The City disbursed \$22,734 to pay principal and interest lease costs for the year ended December 31, 2007.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007.

<u>Year</u>	<u>Amount</u>
2008	\$24,410
2009	24,432
2010	9,577
2011	7,267
2012	3,284
Total minimum lease payments	68,970
Less: Amount representing interest	(8,119)
Present Value of minimum lease payments	<u>\$60,851</u>

B. Operating Lease

The City of East Cleveland entered into an operating lease with City Management Group, Limited, for the purpose of leasing 6,500 square feet of a building in the City to house the City Water Department. This is a cancelable lease that is renewed annually. The City pays \$2,250 per month. For 2007, the City paid rental costs of \$27,000. The City must provide the lessor written notice at least 90 days prior to termination of the lease.

Note 15 - Interfund Transfers

The \$80,000 transfer from the general fund was made to move unrestricted general fund revenues to the Older Americans special revenue fund.

Note 16 – Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2007.

B. Litigation

The City is a party to legal proceedings. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

City of East Cleveland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 17 – Financial Distress

As of December 31, 2007, the City has a General Fund balance of \$3,794,007 and the business-type funds had an aggregate deficit of (\$2,420,171).

In subsequent years, the fund deficits have increased and there were significant outstanding obligations. As of December 31, 2010, the City's General Fund has a cash balance of \$7,044, and deficits in other funds totaling (\$1,404,520). The most significant outstanding obligations include the Ohio Police and Fire Pension \$1,332,692, the Ohio Bureau of Workers Compensation \$522,488, and the Ohio Department of Job and Family Services \$277,263 for a total of \$2,132,443.

To alleviate the financial shortfall, the City is in the process of developing a strategy to stabilize its cash shortfall in the aforementioned funds.

Note 18 – Subsequent Events

On January 1, 2008, the City turned over its water operation to the City of Cleveland. Residents will purchase water directly from and will be billed by the City of Cleveland. The waterlines within the City will still be owned and maintained by the City, and specific charges for capital improvements billed to the residents of East Cleveland by the City of Cleveland will be transferred to the City of East Cleveland. These monies will be used to maintain the waterlines and to pay off any remaining Ohio Public Works Commission loans associated with the waterlines.

Also in 2008, the City entered into a capital lease for ten police vehicles. The vehicles have been capitalized in the amount of \$340,000.

**CITY OF EAST CLEVELAND
CUYAHOGA COUNTY**

**FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<i>Passed Through Western Reserve Area on Aging</i>		
Older Americans Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	\$ 45,244
Older Americans Title III, Part C-Nutrition Services	93.045	10,767
Total U.S. Department of Health and Human Services		56,011
U.S. DEPARTMENT OF HOMELAND SECURITY		
<i>Passed Through Ohio Department of Public Safety</i>		
Assistance to Firefighters Grant	97.044	4,391
U.S. DEPARTMENT OF JUSTICE		
<i>Passed Through Office of the Ohio Attorney General</i>		
Victims of Crime Act	16.575	77,974
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Programs:		
Community Development Block Grant, Entitlement Program	14.218	888,658
Special Purpose Grant 33	14.251	3,225
Special Purpose Grant 507	14.251	607,935
Home Investment Partnership Program	14.239	569,557
Total U.S. Department of Housing and Urban Development		2,069,375
TOTAL FEDERAL AWARDS EXPENDITURES		\$ 2,207,751

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

**CITY OF EAST CLEVELAND
CUYAHOGA COUNTY
NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Basis of Presentation

The accompanying Federal Awards Expenditures Schedule includes the federal grant activity of the City of East Cleveland (the "City") and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of East Cleveland
Cuyahoga County
14340 Euclid Avenue
East Cleveland, Ohio 44112

To the Members of City Council:

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of East Cleveland, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2007 and have issued our report thereon dated December 23, 2011, wherein we noted the City utilized a basis of accounting other than that prescribed by Ohio Administrative Code § 117-2-03(B) and also commented on the City's accumulated unpaid bills which if processed would result in a negative fund balance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2007-01 in the accompanying schedule of findings to be a material weakness.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-02 to 2007-09.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 23, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and others within the City. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

December 23, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of East Cleveland
Cuyahoga County
14340 Euclid Avenue
East Cleveland, Ohio 44112

To the Members of City Council:

Compliance

We have audited the compliance of the City of East Cleveland, Cuyahoga County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in finding 2007-10 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowable costs applicable to its Community Development Block Grants – Entitlement Grants and Home Investment Partnerships major federal program. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to this program.

Also as described in finding 2007-10 in the accompanying schedule of findings and questioned costs, except as described in the preceding paragraph regarding allowable costs, we were unable to determine if the City complied with the other requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement for the Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants program.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Compliance (Continued)

Because the City did not provide an amended grant agreement, we were unable to determine the compliance requirements applicable to this grant except for allowable costs. Therefore, except for allowable costs, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on whether the City had complied with the requirements in regard to the Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants for which it had received funding.

As also described in findings 2007-11 and 2007-12 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding cash management applicable to its Community Development Block Grants – Entitlement Grants and Home Investment Partnerships Program major federal programs. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraphs, the City of East Cleveland complied, in all material respects, with the requirements referred to above applicable to Community Development Block Grant and Home Investment Partnerships major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-10 to 2007-12 to be material weaknesses.

Internal Control Over Compliance (Continued)

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated December 23, 2011.

The City's responses to the findings we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, City Council, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

December 23, 2011

This Page Intentionally Left Blank.

CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified and Disclaimed for Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants. Qualified for Community Development Block Grant and Home Investment Partnerships Program
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Program(list):	CFDA # 14.218 - Community Development Block Grant CFDA # 14.239 - Home Investment Partnerships Program CFDA # 14.251 - Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)**

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

Finding Number	2007-01
-----------------------	----------------

Material Weakness

Sound financial reporting is the responsibility of the Director of Finance and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Financial reports and revenue and expense ledgers should be reviewed to ensure they accurately reflect the financial activity of the City.

In 2007, the City failed to record Ohio Public Works Commission (OPWC) grant funds paid directly to vendors for sewer projects as intergovernmental revenues and capital outlay expenditures in the amount of \$232,586 to the Water Fund. The accompanying financial statements and the City's accounting records reflect an adjustment recording this amount.

We recommend the City record OPWC grant funds paid directly to vendors in the accounting records.

Official's Response

We will report OPWC grant monies paid directly to vendors in the future.

Finding Number	2007-02
-----------------------	----------------

Material Noncompliance Finding – Employees Paid in Excess of Council's Authorization

Employee compensation is based on personnel employment contracts, various union agreements and the amounts authorized by Council. Payroll authorization forms are signed by the Mayor and Director of Human Resources and placed in the employee's file. Council has been considering revising the salaries for its employees for several years in order to attract qualified personnel but did not formally take action.

During a test of ten employee salaries, we noted three instances in which the employee was paid in excess of the amount authorized by Council in Resolution No. 100-05. However, the salary paid was authorized by the Mayor and Director of Human Resources. This resulted in the employees being compensated in excess of the amount authorized by Council. Council was aware these employees were making more than was authorized and when Council subsequently revised the salary schedule the five exceptions noted were within the range established.

We recommend that employee salaries subject to Council approval adhere to the amounts authorized in the Council's resolution or that Council review and amend as needed the compensation resolution regularly.

Official's Response:

We understand the issue and corrected it when we revised the salary schedule,

CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)

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

Finding Number	2007-03
-----------------------	----------------

Material Noncompliance Finding – Negative Cash Fund Balances

Ohio Rev. Code § 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. A fund with a negative fund balance signifies that monies from other funds were used to meet their obligations.

As of December 31, 2007, the following funds had negative cash fund balances:

<u>Fund</u>	<u>Amount</u>
Governmental Funds:	
Older Americans	(\$197,177)
Community Development	(173,502)
Domestic Violence	(48,752)
Victims of Crimes Act	(15,173)
Community Cops	(5,333)
Enterprise Funds:	
Water	(676,581)
Sewer	(1,743,590)

We recommend the City consider advancing monies from the General Fund in order ensure negative cash fund balances are eliminated.

Official's Response:

We understand the issue and will correct it in the future.

**CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)**

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

Finding Number	2007-04
-----------------------	----------------

Material Noncompliance Finding – Appropriations Exceeded Total Estimated Resources

Ohio Rev. Code § 5705.39 states, in part, the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom as certified by the county budget commission.

The following funds had total final appropriations in excess of estimated resources plus carryover balances:

Fund	Final Estimated Revenues Plus Carryover Balances	Final Appropriations	Excess
Governmental Funds			
Special Revenue Funds:			
Older Americans	\$225,643	\$274,487	\$48,844
FEMA Grant	158,556	161,602	3,046
Special Purpose Grant	626	249,978	249,352
Domestic Violence	8,242	46,149	37,907
DARE	0	15,000	15,000
Computer Legalize Fees	31,181	51,783	20,602
Community Cops	(5,333)	0	5,333
Victims of Crimes Act	59,924	72,429	12,505
Capital Projects Fund:			
Street Resurfacing	0	1,100,000	1,100,000
Enterprise Funds			
Water	3,999,381	5,002,207	1,002,826
Sewer	4,256,102	5,418,860	1,162,758

This weakness may result in the City spending more than their available resources,

We recommend the City establish procedures to ensure total appropriations do not exceed total estimated resources.

Official's Response:

We understand the issue, are monitoring the data in the current year and adjusting appropriations accordingly.

CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)

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

Finding Number	2007-05
-----------------------	----------------

Material Noncompliance Finding – Expenditures Plus Encumbrances in Excess of Appropriations

Ohio Rev. Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been appropriated as provided in Chapter 5705 of the Revised Code.

As of December 31, 2007, the following funds had expenditures plus encumbrances in excess of appropriations:

Fund/Function	Appropriations	Expenditure Plus Encumbrances	Excess
General Fund			
General Government			
Mayor			
Personal Services	\$168,706	\$185,664	\$16,958
Materials and Supplies	7,062	9,021	1,959
Other	41	45	4
Capital Outlay	1,245	1,362	117
Finance			
Personal Services	322,364	375,303	52,939
Materials and Supplies	5,779	8,581	2,802
Other	1,216	1,248	32
Capital Outlay	381	6,556	6,175
Law Director			
Personal Services	313,175	337,407	24,232
Materials and Supplies	2,603	3,090	487
Contractual Services	15,779	17,162	1,383
Other	3,341	3,600	259
Courts			
Other	-	5,929	5,929
Tax			
Materials and Supplies	1,900	3,333	1,433
Other	-	249,152	249,152
Capital Outlay	-	1,554	1,554
Engineering and Buildings			
Other	8	98	90

**CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)**

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

Finding Number	2007-05
-----------------------	----------------

(Continued)

Fund/Function	Appropriations	Expenditure Plus Encumbrances	Excess
Central Services			
Personal Services	\$38,507	\$97,161	\$58,654
Materials and Supplies	4,528	7,404	2,876
Contractual Services	1,176,245	2,616,198	1,439,953
Other	242	277	35
Capital Outlay	102,188	276,518	174,330
Land and Buildings			
Personal Services	-	80,674	80,674
Materials and Supplies	1,585	2,659	1,074
Contractual Services	580	2,278	1,698
EDP-Vital Statistics			
Personal Services	107,430	109,674	2,244
Purchasing			
Personal Services	61,000	62,126	1,126
Security of Persons and Property			
Police Department			
Materials and Supplies	108,726	114,000	5,274
Capital Outlay	-	4,465	4,465
Fire Department			
Personal Services	4,048,782	4,296,568	247,786
Contractual Services	12,810	18,892	6,082
Capital Outlay	275	16,209	15,934
Forestry			
Personal Services	-	51,328	51,328
Leisure Time Activities			
Parks and Recreation			
Personal Services	107,806	150,105	42,299
Other	1,500	1,535	35
Basic Utility Services			
Refuse Collection			
Personal Services	-	7,084	7,084
Street Cleaning			
Contractual Services	8,567	8,590	23
Snow Removal			
Personal Services	-	56,775	56,775
Materials and Supplies	-	1,070	1,070
Contractual Services	-	1,800	1,800

**CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)**

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

Finding Number	2007-05
-----------------------	----------------

(Continued)

Fund/Function	Appropriations	Expenditure Plus Encumbrances	Excess
Debt Service			
Principal Retirement	\$385,135	\$425,281	\$40,146
Interest and Fiscal Charges	110,635	117,581	6,946
Special Revenue Funds			
Street			
Transportation			
Materials and Supplies	200,916	236,015	35,099
Older Americans			
Community Environment			
Personal Services	223,730	292,696	68,966
Contractual Services	35,900	39,485	3,585
Capital Outlay	-	720	720
Community Development			
Community Development			
Materials and Supplies	12,038	16,091	4,053
Domestic Violence			
Security of Persons and Property			
Contractual Services	8,610	34,101	25,491
Computer Legalize Fees			
General Government			
Other	51,783	57,366	5,583
Engineering and Building			
General Government			
Contractual Services	-	326	326
Victims of Crimes Act			
Security of Persons and Property			
Contractual Services	4,836	18,794	13,958
JAG Grant			
Security of Persons and Property			
Personal Services	-	20,878	20,878
Capital Outlay	-	16,661	16,661
Enterprise Funds			
Water Fund			
Materials and Supplies	86,036	87,947	1,911
Contractual Services	3,943,388	4,174,593	231,205
Capital Outlay	233,409	235,679	2,270
Sewer Fund			
Capital Outlay	709	4,198	3,489

**CITY OF EAST CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A - §133 - §505
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

Finding Number	2007-05
-----------------------	----------------

(Continued)

This weakness may result in the City spending more than their available resources.

We recommend the City compare appropriations with expenditures plus encumbrances on a regular basis to ensure appropriations are not exceeded.

Official's Response:

We are monitoring appropriations with expenditures plus encumbrances on a regular basis.

Finding Number	2007-06
-----------------------	----------------

Material Noncompliance Finding – Appropriations Exceeded Actual Receipts Plus Unencumbered Cash

Ohio Rev. Code § 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code § 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

At December 31, 2007, the following funds had appropriations which exceeded actual receipts plus unencumbered cash:

<u>Fund Name</u>	<u>Actual Receipts Plus Unencumbered Cash</u>	<u>Final Appropriations</u>	<u>Variance</u>
CDBG	\$396,021	\$1,655,699	(\$1,259,678)
Special Purpose Grant	(93,787)	152,965	(246,752)
Home Program Fund	441,131	1,601,573	(1,160,442)
Water	3,919,748	4,615,319	(695,571)
Sewer	2,999,051	5,159,560	(2,160,509)

This weakness may result in appropriations which exceed actual resources and deficit fund balances.

We recommend the City compare actual receipts with the certificate of estimated resources and appropriations on a monthly basis. If the actual receipts are less than the certificate then the City should obtain a reduced amended certificate and adjust the appropriations accordingly.

Official's Response:

We understand the issue and are closely monitoring the data in the current year and will adjust appropriations accordingly.

**CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)**

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

Finding Number	2007-07
-----------------------	----------------

Material Noncompliance Finding – Proper Certification

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During a test of 69 transactions, we noted 12 instances (17%) in which the transaction was not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the City followed the aforementioned exceptions. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)

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

Finding Number	2007-07
-----------------------	----------------

(Continued)

We recommend the City certify purchases to which section 5705.41(D) applies. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response:

We understand the issue and will communicate it to the City's employees.

Finding Number	2007-08
-----------------------	----------------

Material Noncompliance Finding – Maintaining Separate Funds for Federal Programs

Ohio Rev. Code § 5705.09(F) provides that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax which legally requires to be used for a particular purpose.

The City received federal funding grants from the Western Reserve Area Agency on Aging. The grants funds received were restricted to be used only for Special Programs for the Aging Title III, Part B-Grants for Supportive Services and Senior Centers, CFDA # 93.044, and Special Programs for the Aging Title III, Part C-Nutrition Services, CFDA # 93.045. The City recorded the receipts of these two federal programs in two special cost centers in fund 2222, which allowed the receipts to be accounted for. However, expenditures for the federal programs were not charged to these special cost centers in fund 2222 and instead are co-mingled, contrary to this requirement. The effect of co-mingling funds is that funds are not segregated in such a manner that demonstrates compliance with special regulations, restrictions, or limitations.

We recommend that separate funds be established for the two federal programs, CFDA # 93.044 and #93.045, received from the Western Reserve Area on Aging.

Official's Response:

We will establish the required funds next year.

CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)

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

Finding Number	2007-09
-----------------------	----------------

Material Noncompliance Finding – Ohio Police and Fire Pension Fund Payments

Ohio Rev. Code § 742.35 requires each employer to submit payments to the Ohio Police and Fire Pension Fund. All employer obligations described in this section must be received by the retirement system not later than the sixtieth day after the last day of the calendar quarter. Upon certification by the board to the county auditor of an amount due from any employer within the county, by reason of such employer’s delinquency in making employer contribution payments to the fund for past months, such amount shall be withheld from such employer from any funds in the hands of the county treasurer for distribution to such employer. Upon receipt of such certification, the county auditor shall draw a warrant against such funds in favor of the fund for the amount.

The City did not make all of the required payments to the Ohio Police and Fire Pension Fund during 2006 and 2007. As a result, the employee may not receive proper credit for time worked and the City may have to pay penalties and interest.

Based on a confirmation received from the Ohio Police and Fire Pension Fund, as of November 3, 2011 the City owed the following amounts:

Year	Fire Balance	Police Balance	Total
2006	\$129,023	\$91,998	\$221,021
2007	161,251	117,829	279,080

We recommend the City remit the required pension amounts to the Ohio Police and Fire Pension Fund.

Official’s Response:

We paid the outstanding amount to the Ohio Police and Fire Pension Fund.

**CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	2007-10
CFDA Title and Number	Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants, CFDA# 14.251
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	NA

Material Weakness and Material Noncompliance Finding - Questioned Cost For All Expenditures Made

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A.2 states that governmental units assume responsibility for administrating Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

In 1993, a \$2,000,000 grant (Special Purpose Grant 33) was awarded to the City “to develop a training program in East Cleveland for single mothers to enable them to be economically self-sufficient.” In 1995, a \$1,750,000 grant (Special Purpose Grant 507) was awarded to the City “for training of unemployed and under employed men and women.”

These Congressional Special Purpose Grants are over 15 years old and were awarded during the time that Multifamily Housing was responsible for their administration and monitoring. The HUD Cleveland Multifamily Program Center is responsible for their administration and monitoring the City.

During a review of expenditures in 2007, we noted the grant funds were used for streets, demolitions and lead abatement projects instead of the purposes required by the grant agreement. None of these purposes are consistent with the stated purpose of the grant. The HUD Cleveland Multifamily Program Center approved all pay requests prior to them approving the payment and releasing the funds. Funds are drawn through HUD’s Line of Credit Control System and Voice Response System.

The City was unable to provide an amended grant agreement which would have allowed them to spend the federal monies in the manner in which they did. The City contacted HUD and they were also unable to provide an amended grant agreement. Documentation provided by HUD indicated they met with the City and advised them to submit a revised grant application.

A review of the general ledger disclosed the federal grant incurred expenditures totaling \$607,934 in SPG 507 Fund and \$3,225 in SPG 33 for a total of \$611,159

We recommend the City spend grant funds in accordance with the approved grant agreement. If there is a change in the use of the funds then a revised application should be submitted and formal approval should be obtained before the monies are spent.

**CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	2007-10
-----------------------	----------------

(Continued)

Because the City was unable to provide documentation to support an approved change in the programmatic purpose of the grant, we are issuing a questioned costs for \$611,159.

In addition to the finding above regarding allowable costs, we were unable to determine if the City complied with other requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement. The City did not provide an amended grant agreement to enable a review of the compliance with the Circular.

Official's Response:

In the future, we will obtain formal approval for any changes in the purposes of the grant,

Finding Number	2007-11
CFDA Title and Number	Community Development Block Grants – Entitlement Grants, CFDA# 14.218
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	NA

Material Weakness and Material Noncompliance Finding – Cash Management

24 CFR 85.21 provides the federal awarding agency regulations, and the terms and conditions of the award prescribe the requirements for cash management.

The City's Finance Department and the Department of Community Development monitor the financial operations of the Community Development Block Grant (CDBG). During a review of CDBG draw downs, we noted a receipt for \$181,893 was erroneously posted to the HOME federal program by the Finance Department and was not detected by the Department of Community Development. This weakness may result in federal funds being used for unallowable purposes.

There was no impact on the accompanying financial statements and the City's accounting records reflect an adjustment reclassifying \$181,893 from the HOME fund to the CDBG fund.

We recommend all CDBG draw downs be posted to the proper fund. Furthermore, the Department of Community Development should reconcile all draw downs to the receipt postings in the general ledger.

Official's Response:

We will make sure draw downs are reported in the proper funds.

CITY OF EAST CLEVELAND
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A - §133 - §505
 FOR THE YEAR ENDED DECEMBER 31, 2007
 (Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
(Continued)

Finding Number	2007-012
CFDA Title and Number	Home Investment Partnerships Program (HOME), CFDA# 14.239
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	NA

Material Weakness and Material Noncompliance Finding – Cash Management

24 CFR 85.21 provides the federal awarding agency regulations, and the terms and conditions of the award prescribe the requirements for cash management.

The City's Finance Department and the Department of Community Development monitor the financial operations of the Home Investment Partnerships Program (HOME). During a review of HOME draw downs, we noted a receipt for \$30,000 was erroneously posted to the Community Development Block Grant (CDBG), by the Finance Department and was not detected by the Department of Community Development. This weakness may result in federal funds being used for unallowable purposes.

There was no impact on the accompanying financial statements and the City's accounting records reflect an adjustment reclassifying \$30,000 from the CDBG fund to the HOME fund.

We recommend all HOME draw downs be posted to the proper fund. Furthermore, the Department of Community Development should reconcile all draw downs to the receipt postings in the general ledger.

Official's Response:

We will make sure draw downs are reported in the proper funds.

**CITY OF EAST CLEVELAND
CUYAHOGA COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-01	The City failed to record Ohio Public Works Commission (OPWC) grant funds paid directly to vendors for sewer and street projects as intergovernmental revenues and capital outlay expenditures in the amount of \$2,028,733 to the Improvement Fund	No	Repeated in finding 2007-01.
2006-02	During a test of ten employee salaries, five instances were noted in which the employee was paid in excess of the amount authorized by Council. However, the salary paid was authorized by the Mayor and Director of Human Resources. Council was aware these employees were making more than was authorized and when Council subsequently revised the salary schedule the exceptions noted were within the range established.	No	Repeated in finding 2007-02.
2006-03	Several funds had negative cash fund balances, contrary to Ohio Rev. Code § 5705.10(H).	No	Repeated in finding 2007-03.
2006-04	Several funds had total final appropriations in excess of estimated resources plus carryover balances, contrary to Ohio Rev. Code § 5705.39.	No	Repeated in finding 2007-04.
2006-05	Several funds had expenditures plus encumbrances in excess of appropriations, contrary to Ohio Rev. Code § 5705.41(B).	No	Repeated in finding 2007-05.
2006-06	Several funds had appropriations which exceeded actual receipts plus unencumbered cash, contrary to Ohio Rev. Code § 5705.36(A)(2).	No	Repeated in finding 2007-06.
2006-07	Separate funds were not established for the two federal programs, CFDA # 93.044 and #93.045, received from the Western Reserve Area on Aging.	No	Repeated in finding 2007-08.
2006-08	During a test of 75 transactions, 13 instances (17%) were noted in which the transaction was not certified by the fiscal officer at the time the commitment, contrary to Ohio Rev. Code § 5705.41(D)(1).	No	Repeated in finding 2007-07.
2006-09	The City did not make all of the required payments to the Ohio Police and Fire Pension Fund during 2006, contrary to Ohio Rev. Code § 742.35.	No	Repeated in finding 2007-09.



Dave Yost • Auditor of State

CITY OF EAST CLEVELAND

CUYAHOGA 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
JANUARY 5, 2012