



Mary Taylor, CPA
Auditor of State

**CITY OF EASTLAKE
LAKE COUNTY**

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LAKE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City Eastlake, Lake County, Ohio (the City), as of and for the year ended December 2009 and 2008, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eastlake, Lake County, Ohio, as of December 31, 2009 and 2008 and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparisons for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City restated the December 31, 2007 net assets of the governmental and business type activities due to an understatement of income tax receivable, capital lease payable, deferred charges and accumulated depreciation.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2010, 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.

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Lake County
Independent Accountants' Report
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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

September 7, 2010

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City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

- In total, the City's net assets increased from 2008. The increase resulted from the revenue from the special item and an overall decrease in expenses offset by a decrease in revenues.
- The City continues to focus on the maintenance and repair of sidewalks and streets. In 2009, the City completed their 2008 Concrete Rehabilitation Program. Another street project was also started with improvements to South Lakeshore Boulevard.
- In 2009, the City received \$3,986,000 from the sale of naming rights to the Lake County Captains Minor League Baseball team. The City used the proceeds from this sale to extinguish a portion of their long-term debt.
- A review of the enterprise funds reflects a large increase in their capital assets. Construction of new pump stations at Robin, Forester, and King Drive were completed during 2009. An additional pump station and service area at Quentin Road are in the planning stages at the end of the year.

Using This Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of Eastlake's basic financial statements. These statements are organized so that readers can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasing detailed look at specific financial conditions.

The statement of Net Assets and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

The City of Eastlake as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Eastlake, Ohio
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The *statement of net assets* presents information on all of the City of Eastlake's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Eastlake is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax evaluation and the condition of the City's assets.

The *statement of activities* presents information showing how the government's net assets changed during the recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Eastlake that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Eastlake include general government, security of persons and property (police and fire), public health services, leisure time activities, community environment and transportation. Business-type activities includes sanitary sewer and storm water operations.

Reporting the City's Most Significant Funds

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eastlake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Eastlake can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on balances of expendable resources available at the end of the year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Eastlake maintains thirty-six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, general bond retirement and callable bond retirement debt service funds, and road improvement capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

The City of Eastlake adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Proprietary Funds The City of Eastlake's proprietary funds are the sanitary sewer and storm water enterprise funds. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds The City uses agency funds to account for the portion of Council payroll donated for civic purposes, insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, construction deposits, and Lake County water collections. The City assigns an agency fund to account for these receipts and disbursements.

Notes to the Basic Financial Statements The notes provide additional information that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

The City as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$16,940,376	\$25,105,785	\$1,099,708	\$1,413,864	\$18,040,084	\$26,519,649
Capital Assets, Net	38,164,679	38,667,519	3,427,210	2,289,681	41,591,889	40,957,200
Total Assets	55,105,055	63,773,304	4,526,918	3,703,545	59,631,973	67,476,849
Liabilities						
Current Liabilities	6,060,248	5,235,340	44,349	15,746	6,104,597	5,251,086
Long-Term Liabilities						
Due Within One Year	1,054,843	1,166,844	13,351	19,106	1,068,194	1,185,950
Due in More Than One Year	18,086,290	28,402,269	45,676	49,144	18,131,966	28,451,413
Total Liabilities	25,201,381	34,804,453	103,376	83,996	25,304,757	34,888,449
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	21,545,693	11,845,890	3,427,210	2,289,681	24,972,903	14,135,571
Restricted for:						
Capital Projects	1,363,190	1,260,775	0	0	1,363,190	1,260,775
Debt Service	183,493	6,307,405	0	0	183,493	6,307,405
Other Purposes	1,206,168	1,262,341	0	0	1,206,168	1,262,341
Unrestricted	5,605,130	8,292,440	996,332	1,329,868	6,601,462	9,622,308
Total Net Assets	\$29,903,674	\$28,968,851	\$4,423,542	\$3,619,549	\$34,327,216	\$32,588,400

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Total net asset for governmental activities showed an increase, however, their current and other assets decreased significantly. Factors contributing to this decrease include the elimination of over 35 percent of their long-term obligations. With proceeds received from the sale of the naming rights to the Lake County Captains minor league baseball team as well as grant money received from the Federal Department of Transportation, the City was able to fully extinguish their 2002 Capital Facilities Bonds. They were also able to pay off a large portion of their 2004 Various Purpose Improvement Term Bonds that were issued for the construction of the minor league baseball stadium, the only one in the State of Ohio. This large decrease in their long-term obligations was able to offset their significant decrease in total assets.

Total net assets for business-type activities showed an increase that can be primarily attributed to the capital asset addition of the Robin, Forester, and King Drive pump stations.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$3,001,997	\$2,831,609	\$1,720,954	\$1,974,569	\$4,722,951	\$4,806,178
Operating Grants and Contributions	1,307,039	2,299,839	0	0	1,307,039	2,299,839
Capital Grants and Contributions	557,824	689,601	0	658	557,824	690,259
Total Program Revenues	4,866,860	5,821,049	1,720,954	1,975,227	6,587,814	7,796,276
General Revenues						
Property Taxes	2,989,906	3,075,744	0	0	2,989,906	3,075,744
Income Taxes	5,895,129	6,845,864	0	0	5,895,129	6,845,864
Hotel Taxes	35,267	51,121	0	0	35,267	51,121
Grants and Entitlements	3,332,617	3,616,021	0	0	3,332,617	3,616,021
Franchise Taxes	235,855	200,103	0	0	235,855	200,103
Investment Earnings	30,803	220,123	0	2,088	30,803	222,211
Gain on Sale of Capital Assets	960	0	0	0	960	0
Other	69,940	35,799	0	0	69,940	35,799
Total General Revenues	12,590,477	14,044,775	0	2,088	12,590,477	14,046,863
<i>Total Revenues</i>	<i>\$17,457,337</i>	<i>\$19,865,824</i>	<i>\$1,720,954</i>	<i>\$1,977,315</i>	<i>\$19,178,291</i>	<i>\$21,843,139</i>

City of Eastlake, Ohio
Management's Discussion and Analysis
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Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Expenses						
General Government	\$4,406,774	\$3,700,046	\$0	\$0	(\$4,406,774)	(\$3,700,046)
Security of Persons and Property	7,877,033	7,707,825	0	0	(7,877,033)	(7,707,825)
Public Health and Welfare	189,449	194,637	0	0	(189,449)	(194,637)
Transportation	1,651,848	2,450,453	0	0	(1,651,848)	(2,450,453)
Community Environment	323,953	313,036	0	0	(323,953)	(313,036)
Basic Utility Services	1,305,265	1,837,320	0	0	(1,305,265)	(1,837,320)
Leisure Time Activities	1,897,607	1,226,545	0	0	(1,897,607)	(1,226,545)
Interest	1,270,556	1,379,167	0	0	(1,270,556)	(1,379,167)
Sewer	0	0	1,467,015	1,670,669	(1,467,015)	(1,670,669)
Total Program Expenses	18,922,485	18,809,029	1,467,015	1,670,669	(20,389,500)	(20,479,698)
<i>Increase (Decrease) in Net Assets</i>						
<i>Before Special and Extraordinary Items</i>						
<i>and Transfers and Contributions</i>	(1,465,148)	1,056,795	253,939	306,646	(1,211,209)	1,363,441
Special and Extraordinary Items						
Special Item	3,986,000	0	0	0	3,986,000	0
Extraordinary Item	(1,035,975)	0	0	0	(1,035,975)	0
Transfers and Contributions	(550,054)	(101,619)	550,054	101,619	0	0
Total Special and Extraordinary Items						
<i>and Transfers and Contributions</i>	2,399,971	(101,619)	550,054	101,619	2,950,025	0
Increase in Net Assets	934,823	955,176	803,993	408,265	1,738,816	1,363,441
Net Assets Beginning of Year	28,968,851	28,013,675	3,619,549	3,211,284	32,588,400	31,224,959
Net Assets End of Year	\$29,903,674	\$28,968,851	\$4,423,542	\$3,619,549	\$34,327,216	\$32,588,400

Governmental Activities

For governmental activities, there was a substantial decrease in program revenues for 2009 as well as a decrease in general revenues. This decrease in general revenues is primarily attributable to decreases in municipal income taxes and investment earnings. Both are direct results of how the change in the economy has affected the City. Several sources fund governmental activities with the municipal income tax being the largest component. The City has a current municipal income tax rate of 2 percent. The City grants a 2 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of revenue for governmental activities. The City collects 3 mills of inside millage and 5.3 mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, and a .5 fire levy. The .5 fire levy was renewed by the voters in November election. The City is constantly reviewing its fee structure to insure that all fees constitute a fair charge for the cost of providing government services.

A review of the above table also demonstrates that expenses combined with the extraordinary item for governmental activities increased significantly from 2008 levels. Also, governmental activities contributed \$550,054 to the construction of business-type activities capital assets.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
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Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2009		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$4,406,774	(\$4,222,197)	\$3,700,046	(\$3,482,458)
Security of Persons and Property	7,877,033	(7,015,081)	7,707,825	(6,642,947)
Public Health Services	189,449	(189,449)	194,637	(194,637)
Transportation	1,651,848	(152,678)	2,450,453	140,146
Community Environment	323,953	(100,303)	313,036	(82,829)
Basic Utility Services	1,305,265	(381,695)	1,837,320	(894,631)
Leisure Time Activities	1,897,607	(723,666)	1,226,545	(451,457)
Interest and Fiscal Charges	1,270,556	(1,270,556)	1,379,167	(1,379,167)
Total	\$18,922,485	(\$14,055,625)	\$18,809,029	(\$12,987,980)

A substantial percentage of the revenues to provide governmental activities services are derived from the City's general revenues (primarily property taxes, municipal income taxes, and State shared revenues). In 2009, the percentage of general revenues required to pay for governmental activities services increased from the prior year by approximately 8 percent.

Business-Type Activities

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. In 2009, charges for services continued to be the major revenue source for business-type activities. In addition, an increase in total revenues resulted from contributions made from governmental activities for the construction of the Robin, Forester, and King Drive pump stations, which resulted in an increase to net assets of \$803,993 from the previous year.

Governmental Funds Financial Analysis

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information can be found on page 16 and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, general bond retirement and callable bond retirement debt service funds and the road improvement capital projects fund. The general fund expenditures exceeded revenues for the year, with revenues decreasing from the previous year, and expenditures increasing from the previous year. The decrease in revenues is a result of lower income taxes received and a decrease in investment earnings. The increase in expenditures is mainly due to contractual raises in the police and fire departments. Also, the road department was moved into the general fund in order to cover infrastructure projects. The general bond retirement fund saw an increase in fund balance due to fewer

City of Eastlake, Ohio
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interest and fiscal charges, while the callable bond retirement fund resulted in a large decrease in fund balance. This large decrease is a result of the early extinguishment of debt. The road improvement capital projects fund had a decrease in fund balance as a result of increased contracts for continued road improvement projects.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2009, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for additional funds to cover overtime, union wage adjustments, and transfers to the callable bond debt service retirement fund and the employee termination special revenue fund. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. There was a decrease in revenues from the final budget to actual due to lower income taxes received than expected. There was also a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to continue its financial recovery.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows 2009 balances of capital assets as compared to 2008.

(Table 4)
 Capital Assets at December 31
 (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$7,044,735	\$7,085,025	\$75,556	\$75,556	\$7,120,291	\$7,160,581
Construction in Progress	673,384	0	63,236	0	736,620	0
Land Improvements	14,969,569	15,310,405	0	0	14,969,569	15,310,405
Buildings and Improvements	3,491,706	3,683,251	1,397,960	161,792	4,889,666	3,845,043
Machinery and Equipment	947,429	816,895	39,436	37,571	986,865	854,466
Vehicles	2,386,357	2,333,935	88,799	210,309	2,475,156	2,544,244
Infrastructure	8,651,499	9,438,008	1,762,223	1,804,453	10,413,722	11,242,461
Total Capital Assets	\$38,164,679	\$38,667,519	\$3,427,210	\$2,289,681	\$41,591,889	\$40,957,200

For 2009, the primary additions for governmental activities included new vehicles purchased for the police and fire department, emergency 911 equipment replaced in dispatch, completion of the 2008 Concrete Rehabilitation Program, and construction in progress on the South Lakeshore Boulevard road improvements. Disposals were minimal.

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The primary addition for the business-type activities was the construction and completion of the Robin, Forester, and King Drives pump stations. There were no disposals for business-type activities in 2009. Additional information concerning the City's capital assets can be found in Note 8 to the basic financial statements.

Debt

Table 5 summarizes the City's long-term obligations outstanding.

(Table 4)
 Outstanding Long-Term Obligations at Year End

	Governmental Activities		Business-Type Activity		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$16,610,000	\$26,895,000	\$0	\$0	\$16,610,000	\$26,895,000
OPWC Loans	271,090	295,921	0	0	271,090	295,921
ODOT Payable	230,658	296,560	0	0	230,658	296,560
Capital Leases	53,694	2,269	0	0	53,694	2,269
Compensated Absences	1,975,691	2,079,363	59,027	68,250	2,034,718	2,147,613
Total	\$19,141,133	\$29,569,113	\$59,027	\$68,250	\$19,200,160	\$29,637,363

At December 31, 2009, the general obligation bonds outstanding consist of the 2004 Capital Facilities and Various Purpose Bonds, and the 2005 City Hall Refunding Bonds. During 2009, the City was able to fully retire their 2002 Capital Facilities Bonds as well as a portion of their 2004 Capital Facilities Bonds. The remaining capital facilities and various purpose bonds are associated with the construction of a minor league baseball stadium as well as the purchase of additional real estate. The OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using road improvement capital projects revenues. The other long-term loans consist of money owed to the Ohio Department of Transportation for work done on the access modification to the baseball stadium and parking lot. The payable is being repaid from the road improvement capital projects fund.

In addition to the debt discussed above, the City's long-term obligations also include capital leases and compensated absences. Additional information concerning debt issuances can be found in Note 14 to the basic financial statements.

Current Related Financial Activities

The City maintains a careful watch over its financial operations. This, coupled with an improving economy, should help the City continue to remain financially strong. In addition, the City of Eastlake has a strong internal control system, and has implemented even more stringent budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the Citizens of Eastlake with full disclosure of the financial position of the City.

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Contacting the City of Eastlake's Financial Management

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Eastlake, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

City of Eastlake, Ohio*Statement of Net Assets**December 31, 2009*

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,698,609	\$231,193	\$4,929,802
Accounts Receivable	661,836	580,117	1,241,953
Accrued Interest Receivable	1,714	2,088	3,802
Intergovernmental Receivable	1,639,073	0	1,639,073
Municipal Income Taxes Receivable	5,111,018	0	5,111,018
Permissive Motor Vehicle Taxes Receivable	10,484	0	10,484
Prepaid Items	82,467	0	82,467
Materials and Supplies Inventory	106,594	13,729	120,323
Property Taxes Receivable	4,082,125	0	4,082,125
Special Assessments Receivable	0	272,581	272,581
Deferred Charges	546,456	0	546,456
Nondepreciable Capital Assets	7,718,119	138,792	7,856,911
Depreciable Capital Assets, Net	30,446,560	3,288,418	33,734,978
<i>Total Assets</i>	<u>55,105,055</u>	<u>4,526,918</u>	<u>59,631,973</u>
Liabilities			
Accounts Payable	311,963	7,030	318,993
Contracts Payable	618,069	285	618,354
Accrued Wages	257,698	10,464	268,162
Matured Compensated Absences Payable	14,678	0	14,678
Intergovernmental Payable	723,717	26,570	750,287
Retainage Payable	15,212	0	15,212
Accrued Interest Payable	290,175	0	290,175
Deferred Revenue	3,828,736	0	3,828,736
Long-Term Liabilities:			
Due Within One Year	1,054,843	13,351	1,068,194
Due In More Than One Year	18,086,290	45,676	18,131,966
<i>Total Liabilities</i>	<u>25,201,381</u>	<u>103,376</u>	<u>25,304,757</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	21,545,693	3,427,210	24,972,903
Restricted for:			
Capital Projects	1,363,190	0	1,363,190
Debt Service	183,493	0	183,493
State Highway	115,861	0	115,861
Street Maintenance	355,258	0	355,258
Permissive Motor Vehicle Tax	117,429	0	117,429
Senior Citizens	142,551	0	142,551
Recreation and Land	193,673	0	193,673
Other Purposes	281,396	0	281,396
Unrestricted	5,605,130	996,332	6,601,462
<i>Total Net Assets</i>	<u>\$29,903,674</u>	<u>\$4,423,542</u>	<u>\$34,327,216</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Activities
For the Year Ended December 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General Government	\$4,406,774	\$180,429	\$4,148	\$0
Security of Persons and Property	7,877,033	575,261	204,035	82,656
Public Health Services	189,449	0	0	0
Transportation	1,651,848	183,134	840,868	475,168
Community Environment	323,953	223,650	0	0
Basic Utility Services	1,305,265	923,570	0	0
Leisure Time Activities	1,897,607	915,953	257,988	0
Interest and Fiscal Charges	1,270,556	0	0	0
<i>Total Governmental Activities</i>	<u>18,922,485</u>	<u>3,001,997</u>	<u>1,307,039</u>	<u>557,824</u>
Business-Type Activities:				
Sanitary Sewer	1,467,015	1,680,982	0	0
Storm Water	0	39,972	0	0
<i>Total Business-Type Activities</i>	<u>1,467,015</u>	<u>1,720,954</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$20,389,500</u>	<u>\$4,722,951</u>	<u>\$1,307,039</u>	<u>\$557,824</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Debt Service
- Police Pension
- Fire Pension
- Fire Levy
- Road Levy
- Municipal Income Tax Levied for General Purposes
- Hotel Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Franchise Taxes
- Interest
- Gain on Sale of Capital Assets
- Other

Total General Revenues

Special and Extraordinary Items

- Special Item - Sale of Naming Rights
- Extraordinary Item - Early Extinguishment of Debt

Total Special and Extraordinary Items

Transfers

*Total General Revenues, Transfers,
Special, and Extraordinary Items*

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$4,222,197)	\$0	(\$4,222,197)
(7,015,081)	0	(7,015,081)
(189,449)	0	(189,449)
(152,678)	0	(152,678)
(100,303)	0	(100,303)
(381,695)	0	(381,695)
(723,666)	0	(723,666)
(1,270,556)	0	(1,270,556)
<u>(14,055,625)</u>	<u>0</u>	<u>(14,055,625)</u>
0	213,967	213,967
<u>0</u>	<u>39,972</u>	<u>39,972</u>
0	253,939	253,939
<u>(14,055,625)</u>	<u>253,939</u>	<u>(13,801,686)</u>
1,438,405	0	1,438,405
213,781	0	213,781
151,198	0	151,198
151,197	0	151,197
163,101	0	163,101
872,224	0	872,224
5,895,129	0	5,895,129
35,267	0	35,267
3,332,617	0	3,332,617
235,855	0	235,855
30,803	0	30,803
960	0	960
69,940	0	69,940
<u>12,590,477</u>	<u>0</u>	<u>12,590,477</u>
3,986,000	0	3,986,000
<u>(1,035,975)</u>	<u>0</u>	<u>(1,035,975)</u>
<u>2,950,025</u>	<u>0</u>	<u>2,950,025</u>
<u>(550,054)</u>	<u>550,054</u>	<u>0</u>
<u>14,990,448</u>	<u>550,054</u>	<u>15,540,502</u>
934,823	803,993	1,738,816
<u>28,968,851</u>	<u>3,619,549</u>	<u>32,588,400</u>
<u>\$29,903,674</u>	<u>\$4,423,542</u>	<u>\$34,327,216</u>

City of Eastlake, Ohio

Balance Sheet

Governmental Funds

December 31, 2009

	General	General Bond Retirement	Callable Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$1,502,787	\$48,747	\$377,945	\$598,536	\$2,170,594	\$4,698,609
Accounts Receivable	661,028	0	0	0	808	661,836
Accrued Interest Receivable	1,714	0	0	0	0	1,714
Intergovernmental Receivable	1,065,508	13,744	0	53,116	506,705	1,639,073
Municipal Income Taxes Receivable	5,111,018	0	0	0	0	5,111,018
Permissive Motor Vehicle						
Taxes Receivable	0	0	0	0	10,484	10,484
Prepaid Items	55,590	0	0	0	26,877	82,467
Materials and Supplies Inventory	30,031	0	0	27,310	49,253	106,594
Property Taxes Receivable	1,968,829	229,620	0	1,275,445	608,231	4,082,125
<i>Total Assets</i>	<u>\$10,396,505</u>	<u>\$292,111</u>	<u>\$377,945</u>	<u>\$1,954,407</u>	<u>\$3,372,952</u>	<u>\$16,393,920</u>
Liabilities						
Accounts Payable	\$243,323	\$0	\$0	\$30,534	\$38,106	\$311,963
Contracts Payable	61,151	0	0	543,669	13,249	618,069
Accrued Wages	245,032	0	0	0	12,666	257,698
Matured Compensated Absences Payable	14,678	0	0	0	0	14,678
Intergovernmental Payable	546,366	0	0	25,000	152,351	723,717
Retainage Payable	3,785	0	0	11,427	0	15,212
Deferred Revenue	7,407,121	243,364	0	1,328,561	961,166	9,940,212
<i>Total Liabilities</i>	<u>8,521,456</u>	<u>243,364</u>	<u>0</u>	<u>1,939,191</u>	<u>1,177,538</u>	<u>11,881,549</u>
Fund Balances						
Reserved for Encumbrances	603,600	0	255,000	15,216	287,074	1,160,890
Unreserved:						
Undesignated, Reported in:						
General Fund	1,271,449	0	0	0	0	1,271,449
Special Revenue Funds	0	0	0	0	755,805	755,805
Debt Service Funds	0	48,747	122,945	0	15,404	187,096
Capital Projects Funds	0	0	0	0	1,137,131	1,137,131
<i>Total Fund Balances</i>	<u>1,875,049</u>	<u>48,747</u>	<u>377,945</u>	<u>15,216</u>	<u>2,195,414</u>	<u>4,512,371</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,396,505</u>	<u>\$292,111</u>	<u>\$377,945</u>	<u>\$1,954,407</u>	<u>\$3,372,952</u>	<u>\$16,393,920</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2009*

Total Governmental Funds Balances	\$4,512,371
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,164,679
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Charges for Services	347,708
Intergovernmental	1,100,353
Municipal Income Taxes	4,410,026
Property Taxes	253,389
Total	6,111,476

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(290,175)
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Bond issuance costs will be amortized over the life of the bonds on the statement of net assets.	546,456
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(16,610,000)
OPWC Loans Payable	(271,090)
Capital Leases Payable	(53,694)
ODOT Payable	(230,658)
Compensated Absences Payable	(1,975,691)
Total	(19,141,133)

<i>Net Assets of Governmental Activities</i>	<u><u>\$29,903,674</u></u>
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See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	General Bond Retirement	Callable Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$1,429,226	\$208,840	\$0	\$869,714	\$460,511	\$2,968,291
Municipal Income Taxes	6,193,554	0	0	0	0	6,193,554
Hotel Taxes	0	0	0	0	35,267	35,267
Permissive Motor Vehicle Taxes	0	0	0	0	139,470	139,470
Intergovernmental	3,359,480	39,344	959,310	474,510	1,298,865	6,131,509
Charges for Services	1,641,382	0	0	0	408,386	2,049,768
Fees, Licenses and Permits	283,971	0	0	0	1,143	285,114
Franchise Taxes	235,855	0	0	0	0	235,855
Fines and Forfeitures	180,664	0	0	0	34,728	215,392
Interest	15,101	0	13,391	0	2,311	30,803
Rentals	0	0	0	0	406,881	406,881
Contributions and Donations	4,148	0	500	0	57,983	62,631
Other	60,634	0	0	0	9,306	69,940
<i>Total Revenues</i>	<u>13,404,015</u>	<u>248,184</u>	<u>973,201</u>	<u>1,344,224</u>	<u>2,854,851</u>	<u>18,824,475</u>
Expenditures						
Current:						
General Government	4,282,236	2,884	0	0	0	4,285,120
Security of Persons and Property	6,983,197	0	0	0	671,831	7,655,028
Public Health Services	189,449	0	0	0	0	189,449
Transportation	259,095	0	0	868,568	1,057,692	2,185,355
Community Environment	315,271	0	0	0	0	315,271
Basic Utility Services	971,682	0	0	0	25,068	996,750
Leisure Time Activities	1,086,161	0	0	0	251,550	1,337,711
Capital Outlay	0	0	0	651,532	292,791	944,323
Debt Service:						
Principal Retirement	10,876	650,000	2,475,000	24,831	140,000	3,300,707
Interest and Fiscal Charges	2,129	917,264	54,312	0	214,966	1,188,671
<i>Total Expenditures</i>	<u>14,100,096</u>	<u>1,570,148</u>	<u>2,529,312</u>	<u>1,544,931</u>	<u>2,653,898</u>	<u>22,398,385</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(696,081)</u>	<u>(1,321,964)</u>	<u>(1,556,111)</u>	<u>(200,707)</u>	<u>200,953</u>	<u>(3,573,910)</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	41,250	0	0	0	0	41,250
Payment to Bond Escrow Agent	(93,564)	0	(7,962,411)	0	0	(8,055,975)
Inception of Capital Lease	62,301	0	0	0	0	62,301
Transfers In	0	1,370,000	275,000	0	263,000	1,908,000
Transfers Out	(1,508,000)	0	0	0	(400,000)	(1,908,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,498,013)</u>	<u>1,370,000</u>	<u>(7,687,411)</u>	<u>0</u>	<u>(137,000)</u>	<u>(7,952,424)</u>
Special Item						
Proceeds from Sale of Naming Rights	0	0	3,986,000	0	0	3,986,000
<i>Net Change in Fund Balances</i>	<u>(2,194,094)</u>	<u>48,036</u>	<u>(5,257,522)</u>	<u>(200,707)</u>	<u>63,953</u>	<u>(7,540,334)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,069,143</u>	<u>711</u>	<u>5,635,467</u>	<u>215,923</u>	<u>2,131,461</u>	<u>12,052,705</u>
<i>Fund Balances End of Year</i>	<u>\$1,875,049</u>	<u>\$48,747</u>	<u>\$377,945</u>	<u>\$15,216</u>	<u>\$2,195,414</u>	<u>\$4,512,371</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009*

Net Change in Fund Balances - Total Governmental Funds (\$7,540,334)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	1,459,863	
Depreciation	(1,914,953)	
Total		(455,090)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal. (47,750)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds.

Property Taxes	21,615	
Municipal Income Taxes	(298,425)	
Intergovernmental	(996,660)	
Charges for Services	(94,628)	
Total		(1,368,098)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	10,285,000	
OPWC Loans Payable	24,831	
Capital Leases Payable	10,876	
Total		10,320,707

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Accrued Interest	39,780	
Amortization of Bond Issuance Costs	(121,665)	
Total		(81,885)

The inception of a capital lease is reported as an other financing source in governmental funds but increases long-term liabilities on the statement of net assets. (62,301)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

ODOT Payable	65,902	
Compensated Absences	103,672	
Total		169,574

Change in Net Assets of Governmental Activities \$934,823

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$1,431,787	\$1,431,787	\$1,429,226	(\$2,561)
Municipal Income Taxes	7,037,000	7,037,000	6,420,072	(616,928)
Intergovernmental	3,135,853	3,035,853	3,395,829	359,976
Charges for Services	1,606,161	1,606,161	1,650,348	44,187
Fees, Licenses and Permits	257,799	257,799	283,970	26,171
Franchise Taxes	190,000	190,000	230,925	40,925
Fines and Forfeitures	179,500	179,500	182,578	3,078
Interest	28,000	28,000	15,611	(12,389)
Contributions and Donations	3,600	3,600	4,148	548
Other	40,450	40,450	60,624	20,174
<i>Total Revenues</i>	<u>13,910,150</u>	<u>13,810,150</u>	<u>13,673,331</u>	<u>(136,819)</u>
Expenditures				
Current:				
General Government	4,468,078	4,576,078	4,410,217	165,861
Security of Persons and Property	7,187,782	7,348,382	7,200,642	147,740
Public Health Services	213,500	204,500	204,449	51
Transportation	286,165	297,165	278,313	18,852
Community Environment	340,095	340,095	322,942	17,153
Basic Utility Services	1,061,567	1,061,567	1,060,542	1,025
Leisure Time Activities	978,442	998,442	931,605	66,837
<i>Total Expenditures</i>	<u>14,535,629</u>	<u>14,826,229</u>	<u>14,408,710</u>	<u>417,519</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(625,479)</u>	<u>(1,016,079)</u>	<u>(735,379)</u>	<u>280,700</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	41,250	41,250	41,250	0
Payment to Bond Escrow Agent	(94,000)	(94,000)	(93,564)	436
Transfers Out	(1,325,000)	(1,513,000)	(1,508,000)	5,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,377,750)</u>	<u>(1,565,750)</u>	<u>(1,560,314)</u>	<u>5,436</u>
<i>Net Change in Fund Balance</i>	(2,003,229)	(2,581,829)	(2,295,693)	286,136
<i>Fund Balance Beginning of Year</i>	2,541,359	2,541,359	2,541,359	0
Prior Year Encumbrances Appropriated	469,811	469,811	469,811	0
<i>Fund Balance End of Year</i>	<u>\$1,007,941</u>	<u>\$429,341</u>	<u>\$715,477</u>	<u>\$286,136</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2009

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$155,176	\$76,017	\$231,193
Accounts Receivable	575,044	5,073	580,117
Accrued Interest Receivable	2,088	0	2,088
Special Assessments Receivable	3,038	0	3,038
Materials and Supplies Inventory	13,729	0	13,729
<i>Total Current Assets</i>	<u>749,075</u>	<u>81,090</u>	<u>830,165</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	269,543	0	269,543
Nondepreciable Capital Assets	138,792	0	138,792
Depreciable Capital Assets, Net	3,288,418	0	3,288,418
<i>Total Noncurrent Assets</i>	<u>3,696,753</u>	<u>0</u>	<u>3,696,753</u>
<i>Total Assets</i>	<u>4,445,828</u>	<u>81,090</u>	<u>4,526,918</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	7,030	0	7,030
Contracts Payable	285	0	285
Accrued Wages	10,464	0	10,464
Intergovernmental Payable	26,570	0	26,570
Compensated Absences Payable	13,351	0	13,351
<i>Total Current Liabilities</i>	57,700	0	57,700
<i>Non-Current Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	45,676	0	45,676
<i>Total Liabilities</i>	<u>103,376</u>	<u>0</u>	<u>103,376</u>
Net Assets			
Invested in Capital Assets	3,427,210	0	3,427,210
Unrestricted	915,242	81,090	996,332
<i>Total Net Assets</i>	<u>\$4,342,452</u>	<u>\$81,090</u>	<u>\$4,423,542</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2009*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenue			
Charges for Services	<u>\$1,680,982</u>	<u>\$39,972</u>	<u>\$1,720,954</u>
Operating Expenses			
Personal Services	394,738	0	394,738
Fringe Benefits	345	0	345
Materials and Supplies	429,165	0	429,165
Contractual Services	448,624	0	448,624
Depreciation	190,081	0	190,081
Other	<u>4,062</u>	<u>0</u>	<u>4,062</u>
<i>Total Operating Expenses</i>	<u>1,467,015</u>	<u>0</u>	<u>1,467,015</u>
<i>Income before Capital Contributions</i>	213,967	39,972	253,939
Capital Contributions	<u>550,054</u>	<u>0</u>	<u>550,054</u>
<i>Change in Net Assets</i>	764,021	39,972	803,993
<i>Net Assets Beginning of Year</i>	<u>3,578,431</u>	<u>41,118</u>	<u>3,619,549</u>
<i>Net Assets End of Year</i>	<u><u>\$4,342,452</u></u>	<u><u>\$81,090</u></u>	<u><u>\$4,423,542</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2009

	Sanitary Sewer	Storm Water	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,758,561	\$37,596	\$1,796,157
Cash Received from Special Assessments	27,242	0	27,242
Cash Payments to Suppliers for Goods and Services	(885,664)	0	(885,664)
Cash Payments for Employee Services and Benefits	(378,191)	0	(378,191)
Cash Payments for Other Operating Expenses	(4,041)	0	(4,041)
<i>Net Cash Provided by Operating Activities</i>	<u>517,907</u>	<u>37,596</u>	<u>555,503</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(777,556)	0	(777,556)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(259,649)	37,596	(222,053)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>414,825</u>	<u>38,421</u>	<u>453,246</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$155,176</u></u>	<u><u>\$76,017</u></u>	<u><u>\$231,193</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$213,967	\$39,972	\$253,939
Adjustments:			
Depreciation	190,081	0	190,081
(Increase)/Decrease in Assets:			
Accounts Receivable	79,821	(2,376)	77,445
Materials and Supplies Inventory	(10,342)	0	(10,342)
Special Assessments Receivable	25,000	0	25,000
Increase/(Decrease) in Liabilities:			
Accounts Payable	2,234	0	2,234
Contracts Payable	285	0	285
Accrued Wages	970	0	970
Compensated Absences Payable	(9,223)	0	(9,223)
Intergovernmental Payable	25,114	0	25,114
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$517,907</u></u>	<u><u>\$37,596</u></u>	<u><u>\$555,503</u></u>

Non-Cash Capital Transactions

In 2009, governmental activities transferred capital assets to the Sewer enterprise fund, in the amount of \$550,054.

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$211,281</u>
Liabilities	
Deposits Held and Due to Others	<u>\$211,281</u>
See Accompanying Notes to the Basic Financial Statements	

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 1 - Reporting Entity

The City of Eastlake is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective November 3, 1953. The current charter provides for a council-mayor form of government. Elected officials include six council members and a mayor. The council members are elected for five year staggered terms. Two of the council members are elected at large. The mayor is elected for a five year term.

Reporting Entity

A reporting entity is comprised 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, boards and departments that are not legally separate from the City. For the City of Eastlake, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, sanitary sewer service and general administrative 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 deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The reporting entity of the City does not include any component units.

The City participates in a jointly governed organization and an insurance purchasing pool. These organizations are the Northeast Ohio Public Energy Council and the Northern Ohio Risk Management Association (NORMA). The City is also involved with the Eastlake Port Authority, a related organization. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Eastlake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Basis of Presentation

The City's basic financial statements consist of government-wide 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.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues 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 interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues 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.

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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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 of Eastlake and/or the general laws of Ohio.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

General Bond Retirement Fund The general bond retirement debt service fund is used to account for property tax revenues to be used to pay principal and interest on general obligation bonds issued.

Callable Bond Retirement Fund The callable bond retirement debt service fund is used to account for proceeds from a federal transportation grant, as well as cell tower easement, to be used to call City bonds.

Road Improvement Fund The road improvement capital projects fund is used to account for monies received from a three percent levy for road construction and improvements made to the City.

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

Proprietary Fund Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Fund - Enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sanitary Sewer Fund The sanitary sewer fund accounts for the operation of the City's sanitary sewer service.

Storm Water Fund The storm water fund accounts for the operations of the storm water collection system within the City.

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 only utilizes the agency fund type. The agency fund accounts for employee payroll withholdings and deductions, insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, construction deposits, and Lake County water collections.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, interest, Federal and State grants and subsidies, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees and fines and forfeitures.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Budgetary Data

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 resolution, 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 Council may appropriate. The appropriations resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the personal services and other object level for all other funds. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services. Budgetary modifications may only be made by resolution 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 revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amount on the amended certificate of estimated resources in effect at the time the original and final appropriations were enacted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as original budgeted amounts reflect the first appropriation resolution 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 Council during that year.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2009, investments were limited to STAR Ohio and non-negotiable certificates of deposit. Non-negotiable certificates of deposit are reported at cost.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

Interest earnings are allocated to City funds according to State statutes, City Charter, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2009 was \$15,101, which includes \$9,897 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	50 years	50 years
Buildings and Improvements	50 years	50 years
Machinery and Equipment	5 - 30 years	5 - 30 years
Vehicles	5 - 15 years	5 - 15 years
Infrastructure	25 years	50 years

The City's infrastructure consists of streets, sidewalks, and sanitary sewers and includes infrastructure acquired prior to December 31, 1980.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on City policy and length of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Fund Balance Reserves and Designations

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted for other purposes include police and fire operations and recreational activities.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for sanitary sewer and storm water services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds initially paid for them are not presented on the financial statements.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Bond Issuance Costs

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. Within the governmental fund statements, bond issuance costs are expended when incurred. Issuance costs are generally paid from bond proceeds.

As permitted by State statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. During 2009, the City extinguished \$7,230,000 in general obligation bonds before maturity recorded as an extraordinary item and received \$3,986,000 in proceeds from the sale of naming rights recorded as a special item.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Changes in Accounting Principles

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City’s financial statements.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

Note 4 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual are presented in the basic financial statements for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

GAAP Basis	(\$2,194,094)
Net Adjustment for Revenue Accruals	207,015
Net Adjustment for Expenditure Accruals	478,696
Encumbrances	<u>(787,310)</u>
Budget Basis	<u><u>(\$2,295,693)</u></u>

Note 5 - Deposits and Investments

The City is a charter City and has adopted an investment policy through City Ordinance. The City has elected to follow the provision of State statute. State statutes 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.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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.

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.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,372,383 of the City's bank balance of \$5,141,083 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

At December 31, 2009, the City had \$1,254,200 invested in STAR Ohio with an average maturity of 61.2 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAM by Standard & Poor's. The City has no policy that addresses credit risk.

Concentration of Risk The City places no limit on the amount that may be invested in any one issuer.

Note 6 – Interfund Transfers

At December 31, 2009 interfund transfers were as follows:

	Transfer Out		
Transfer In	General	Other Governmental Funds	Total
General Bond Retirement	\$970,000	\$400,000	\$1,370,000
Callable Bond Retirement	275,000	0	275,000
Other Governmental Funds	263,000	0	263,000
Total	\$1,508,000	\$400,000	\$1,908,000

During 2009, the general fund made transfers to the general bond retirement and callable bond retirement debt service funds, in the amount of \$970,000, and \$275,000, respectively as debt payments came due. The general fund transfers to other governmental funds, in the amount of \$263,000, were made to provide additional resources for current operations. Other governmental funds made a transfer in the amount of \$400,000 to the general bond retirement debt service fund as debt payments came due.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 7 - Receivables

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and permissive motor vehicle taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts (billings for utility service).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$269,543 in the sanitary sewer enterprise fund. At December 31, 2009, the amount of delinquent special assessments was \$128,666.

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 2009 for real and public property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, 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. 2009 public utility property taxes which became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay 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 by September 20.

The full tax rate for all City operations for the year ended December 31, 2009 was \$8.30 per \$1,000 of assessed value.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The assessed values of real property, public utility tangible property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$310,703,960
Other Real Estate	136,086,890
Tangible Personal Property	
Public Utility	85,386,440
General	<u>212,850</u>
Total Assessed Values	<u>\$532,390,140</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Eastlake. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the general fund, the police and fire pension special revenue funds, the general bond retirement debt service fund, and the road improvement and fire levy capital projects funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified basis the revenue is deferred.

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. The City allows a credit of two percent for income tax paid to another municipality up to the total amount owed to 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. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. All income tax received is recorded in the General Fund.

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

City of Eastlake, Ohio
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Governmental Activities	
Local Government	\$913,921
Gasoline Tax	339,253
Homestead and Rollback	144,058
Auto Registration	71,917
Victims of Crimes Act Grant	53,163
Tangible Personal Property Loss Reimbursements	46,179
Estate Tax	44,702
City of Willoughby	11,786
Drug Use Prevention Grant	6,012
State Victim Assistance Academy Grant	4,119
Willoughby Eastlake City School District	1,670
Lake County Visitor's Bureau	1,204
Ohio Peace Officer Training Grant	960
Lake County	129
Total	\$1,639,073

Note 8 – Capital Assets

A summary of changes in capital assets during 2009 follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$7,085,025	\$0	(\$40,290)	\$7,044,735
Construction in Progress	0	673,384	0	673,384
<i>Total Nondepreciable Capital Assets</i>	7,085,025	673,384	(40,290)	7,718,119
 <i>Depreciable Capital Assets</i>				
Land Improvements	17,850,931	47,907	0	17,898,838
Buildings	7,920,615	32,923	0	7,953,538
Machinery and Equipment	2,333,416	336,009	(11,145)	2,658,280
Vehicles	4,340,365	297,580	0	4,637,945
Infrastructure	21,391,749	72,060	0	21,463,809
<i>Total Depreciable Capital Assets</i>	53,837,076	786,479	(11,145)	54,612,410
 Less Accumulated Depreciation:				
Land Improvements	(2,540,526)	(388,743)	0	(2,929,269)
Buildings and Improvements	(4,237,364)	(224,468)	0	(4,461,832)
Machinery and Equipment	(1,516,521)	(198,015)	3,685	(1,710,851)
Vehicles	(2,006,430)	(245,158)	0	(2,251,588)
Infrastructure	(11,953,741)	(858,569)	0	(12,812,310)
<i>Total Accumulated Depreciation</i>	(22,254,582)	(1,914,953) *	3,685	(24,165,850)
<i>Total Depreciable Capital Assets, Net</i>	31,582,494	(1,128,474)	(7,460)	30,446,560
<i>Total Governmental Capital Assets, Net</i>	\$38,667,519	(\$455,090)	(\$47,750)	\$38,164,679

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Business-Type Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	0	63,236	0	63,236
<i>Total Nondepreciable Capital Assets</i>	<u>75,556</u>	<u>63,236</u>	<u>0</u>	<u>138,792</u>
<i>Depreciable Capital Assets</i>				
Buildings and Improvements	901,069	1,257,621	0	2,158,690
Machinery and Equipment	72,115	6,753	0	78,868
Vehicles	427,086	0	0	427,086
Infrastructure				
Sewers	9,117,824	0	0	9,117,824
<i>Total Depreciable Capital Assets</i>	<u>10,518,094</u>	<u>1,264,374</u>	<u>0</u>	<u>11,782,468</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(739,277)	(21,453)	0	(760,730)
Machinery and Equipment	(34,544)	(4,888)	0	(39,432)
Vehicles	(315,777)	(22,510)	0	(338,287)
Infrastructure				
Sewers	(7,313,371)	(42,230)	0	(7,355,601)
<i>Total Accumulated Depreciation</i>	<u>(8,402,969)</u>	<u>(91,081)</u>	<u>0</u>	<u>(8,494,050)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>2,115,125</u>	<u>1,173,293</u>	<u>0</u>	<u>3,288,418</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$2,190,681</u>	<u>\$1,236,529</u>	<u>\$0</u>	<u>\$3,427,210</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$120,775
Security of Persons and Property	317,836
Transportation	132,388
Community Environment	9,475
Basic Utility Services	858,569
Leisure Time Activities	475,910
Total	<u>\$1,914,953</u>

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2009, the City participated in NORMA, an insurance pool for the following types of insurance:

City of Eastlake, Ohio
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Type	Coverage
Property	\$401,735,755
Inland Marine	7,800,000
General Liability	1,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Public Officials Liability	1,000,000
Employment Practices Liability	1,000,000
Umbrella	15,000,000

Claims have not exceeded this coverage in any of the past four years and there have been no significant reductions in overall commercial coverage in any of the past four years.

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

Note 10 – Defined Benefit Pension Plan

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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 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, 2009, the members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's 2009 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll

City of Eastlake, Ohio
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was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 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 Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$256,613, \$265,138, and \$271,322, respectively; 96 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$398 made by the City and \$284 made by the plan members.

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 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$331,347 and \$338,275 for the year ended December 31, 2009, \$316,699 and \$294,202 for the year ended December 31, 2008, and \$289,230 and \$282,060 for the year ended December 31, 2007. 84 percent has been contributed for police and 85 percent for firefighters has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

Note 11 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 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.

City of Eastlake, Ohio
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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 OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local government employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. 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 employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$189,970, \$232,217, and \$179,612 respectively; 96 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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 health care plan administered by OP&F. OP&F provides health care 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 health care 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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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 health care 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.

City of Eastlake, Ohio
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Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care 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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$162,661 and \$125,115 for the year ended December 31, 2009, \$155,470 and \$108,814 for the year ended December 31, 2008, and \$153,122 and \$110,371 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007; 84 percent has been contributed for police and 85 percent has been contributed for firefighters for 2009.

Note 12 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation at different rates which are affected by length of service. At the time of separation the employee is entitled to payment for any earned but unused vacation. Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation, with a maximum accumulation of 1,344 hours. Upon retirement, employees are paid for all the sick days they have accumulated.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
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Note 13 - Long-term Obligations

The original issuance amounts for the City's long-term obligations are as follows:

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Governmental Activities			
<i>General Obligation Bonds:</i>			
Tax Exempt Capital Facilities Bonds - 2002	2-5%	\$4,380,000	2027
Taxable Capital Facilities Bonds - 2002	2-5%	8,180,000	2027
Capital Facilities Bonds - 2004	3.6-5.75%	4,320,000	2031
Various Purpose Bonds - 2004	2.5-5%	9,890,000	2031
City Hall Construction Refunding Bonds - 2005	3.6-6%	2,790,000	2017
 <i>OPWC Loans:</i>			
Eastlake 377th Street Road Improvement	0%	103,600	2014
North Parkway Road and Sewer	0%	50,000	2019
Stevens Boulevard Road and Sewer	0%	49,138	2021
Parkland Drive Road and Sewer	0%	24,907	2021
East Overlook Road, Storm and Sanitary Sewer	0%	26,254	2023
Roberts Road Improvements	0%	150,000	2025
Plymouth Road and Sewer	0%	58,200	2025

Changes in long-term obligations of the City during 2009 were as follows:

	Balance 12/31/2008	Increase	Decrease	Balance 12/31/2009	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
Tax Exempt Capital Facilities Bonds					
Serial	\$560,000	\$0	\$135,000	425,000	\$140,000
Term	3,200,000	0	0	3,200,000	0
Total Tax Exempt Capital Facilities Bonds	3,760,000	0	135,000	3,625,000	140,000
Taxable Capital Facilities Bonds					
Serial	905,000	0	905,000	0	0
Term	6,325,000	0	6,325,000	0	0
Total Taxable Capital Facilities Bonds	7,230,000	0	7,230,000	0	0
Capital Facilities Bonds					
Serial	920,000	0	100,000	820,000	100,000
Term	3,215,000	0	0	3,215,000	0
Total Capital Facilities Bonds	4,135,000	0	100,000	4,035,000	100,000
Various Purpose Bonds					
Serial	2,290,000	0	140,000	2,150,000	275,000
Term	7,335,000	0	2,475,000	4,860,000	0
Total Various Purpose Bonds	9,625,000	0	2,615,000	7,010,000	275,000
City Hall Construction Refunding Bonds	2,145,000	0	205,000	1,940,000	220,000
<i>Total General Obligation Bonds</i>	\$26,895,000	\$0	\$10,285,000	\$16,610,000	\$735,000

(continued)

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Balance 12/31/2008	Increase	Decrease	Balance 12/31/2009	Amounts Due in One Year
Governmental Activities (continued)					
OPWC Loans					
East 377th Street Road Improvement	\$37,986	\$0	\$6,906	\$31,080	\$6,906
North Parkway Road and Sewer	25,000	0	2,500	22,500	2,500
Stevens Boulevard Road and Sewer	29,482	0	2,457	27,025	2,457
Parkland Drive Road and Sewer	14,946	0	1,246	13,700	1,246
East Overlook Road, Storm and Sanitary Sewer	19,038	0	1,312	17,726	1,312
Roberts Road Improvements	120,000	0	7,500	112,500	7,500
Plymouth Road and Sewer	49,469	0	2,910	46,559	2,910
<i>Total OPWC Loans</i>	<u>295,921</u>	<u>0</u>	<u>24,831</u>	<u>271,090</u>	<u>24,831</u>
Other Long-Term Obligations					
ODOT Payable	296,560	0	65,902	230,658	32,951
Capital Leases Payable	2,269	62,301	10,876	53,694	11,404
Compensated Absences Payable	2,079,363	292,134	395,806	1,975,691	250,657
<i>Total Other Long-Term Obligations</i>	<u>2,378,192</u>	<u>354,435</u>	<u>472,584</u>	<u>2,260,043</u>	<u>295,012</u>
Total Governmental Activities	<u>\$29,569,113</u>	<u>\$354,435</u>	<u>\$10,782,415</u>	<u>\$19,141,133</u>	<u>\$1,054,843</u>
Business-Type Activities					
Compensated Absences Payable	<u>\$68,250</u>	<u>\$9,883</u>	<u>\$19,106</u>	<u>\$59,027</u>	<u>\$13,351</u>

General obligation bonds General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both voted and unvoted general property taxes levied on all taxable property located within the City as well as municipal income taxes. Tax monies will be received in and the debt will be retired from the general obligation bond retirement debt service and road improvement capital projects funds.

The term bonds maturing on December 1, 2014, 2016, 2018, 2022, and 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

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Year	2002 Tax Exempt Capital Facilities Term Bonds			
	\$315,000	\$340,000	\$370,000	\$2,175,000
2013	\$155,000	0	0	0
2014	0	0	0	0
2015	0	165,000	0	0
2016	0	0	0	0
2017	0	0	180,000	0
2018	0	0	0	0
2019	0	0	0	200,000
2020	0	0	0	205,000
2021	0	0	0	215,000
2022	0	0	0	230,000
2023	0	0	0	240,000
2024	0	0	0	250,000
2025	0	0	0	265,000
2026	0	0	0	280,000
Total	\$155,000	\$165,000	\$180,000	\$1,885,000
<i>Stated Maturity</i>	12/1/2014	12/1/2016	12/1/2018	12/1/2027

The remaining principal amount of the term bonds (\$160,000, \$175,000, \$190,000, and \$290,000) will mature at the stated maturity.

The term bonds maturing on August 1, 2022, 2025 and 2031 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on August 1 in the years and in the respective principal amounts as follows:

Year	2004 Capital Facilities Term Bonds		
	\$985,000	\$625,000	\$1,605,000
2017	\$145,000	0	0
2018	150,000	0	0
2019	160,000	0	0
2020	170,000	0	0
2021	175,000	0	0
2023	0	195,000	0
2024	0	210,000	0
2026	0	0	230,000
2027	0	0	245,000
2028	0	0	260,000
2029	0	0	275,000
2030	0	0	290,000
Total	\$800,000	\$405,000	\$1,300,000
<i>Stated Maturity</i>	8/1/2022	8/1/2025	8/1/2031

The remaining principal amount of the term bonds (\$185,000, \$220,000 and \$305,000) will mature at the stated maturity.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

The term bonds maturing on August 1, 2022, 2025 and 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on August 1 in the years and in the respective principal amounts as follows:

Year	2004 Various Purpose Term Bonds		
	\$2,355,000	\$1,430,000	\$1,075,000
2017	\$350,000	0	0
2018	365,000	0	0
2019	385,000	0	0
2020	400,000	0	0
2021	420,000	0	0
2023	0	455,000	0
2024	0	480,000	0
2026	0	0	520,000
Total	\$1,920,000	\$935,000	\$520,000
<i>Stated Maturity</i>	<i>8/1/2022</i>	<i>8/1/2025</i>	<i>8/1/2027</i>

The remaining principal amount of the term bonds (\$435,000, \$495,000 and \$555,000) will mature at the stated maturity.

Refunded Bonds On April 1, 2005, the City issued \$2,790,000 in general obligation refunding bonds with interest rates varying from 3.6 percent to 6 percent. Proceeds were used to refund \$2,665,000 of the 1993 general obligation bonds for city hall building improvements.

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1993 general obligation bonds. As a result \$2,790,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2009 is \$1,855,000.

Early Extinguished Bonds On September 18, 2009, the City early extinguished \$7,230,000 of its 2002 Taxable Capital Facilities Bonds. The early extinguishment was deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 2002 Taxable Capital Facilities Bonds. As a result the entire amount of extinguished bonds were considered defeased and the liability for the extinguished bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2009 is \$7,020,000.

OPWC loans OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements and for sanitary sewer improvements. The loans are interest free. OPWC loans will be paid from the road improvement capital projects fund.

ODOT Payable ODOT payable consists of money owed to the Ohio Department of Transportation for work done on the access modification to the baseball stadium and parking lot. The payable will be paid from the road improvement capital projects fund.

Capital Leases Capital lease obligations will be paid from the fund that maintains custody of the related assets. Capital leases will be paid from the general fund.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Compensated absences The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the general fund; the street construction, maintenance, and repair; the federal grants; and Taft center donation special revenue funds; the road improvement capital projects fund; and the sanitary sewer enterprise fund.

The City's overall legal debt margin was \$39,446,567 with an unvoted debt margin of \$12,827,060 at December 31, 2009.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2009, were as follows:

Year	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2010	\$735,000	\$892,973	\$0	\$0
2011	745,000	866,665	0	0
2012	775,000	839,295	0	0
2013	650,000	656,332	155,000	153,539
2014	685,000	630,580	160,000	147,145
2015-2019	1,745,000	1,186,521	2,465,000	2,139,160
2020-2024	0	0	4,265,000	2,378,627
2025-2029	0	0	3,635,000	1,005,103
2030-2031	0	0	595,000	51,750
Total	\$5,335,000	\$5,072,366	\$11,275,000	\$5,875,324

Year	OPWC Loans	ODOT Payable
	Principal	Principal
2010	\$24,831	\$32,951
2011	24,833	32,951
2012	24,833	32,951
2013	24,833	32,951
2014	93,082	98,854
2015-2019	65,359	0
2020-2024	13,319	0
Total	\$271,090	\$230,658

Note 14 - Capital Leases - Lessee Disclosure

The City has entered into capitalized leases for copiers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

	Governmental Activities
Copiers	\$62,301
Less: Accumulated Depreciation	(12,460)
Total	\$49,841

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2009.

	Amounts
2010	\$13,630
2011	14,016
2012	14,016
2013	14,016
2014	3,687
Total Mimimum Lease Payments	59,365
Less: Amount representing interest	(5,671)
Present Value of Mimimum Lease Payments	\$53,694

Capital lease payments have been reclassified and reflected as debt service in the fund financial statement for the general fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 15 - Contingencies

Litigation

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

As to the *Ohio Department of Transportation vs. Eastlake Development Company* court case, the matter was settled. However, there was no agreed payment plan. Instead, the parties agreed to further negotiate and payment terms and ODOT agreed that there would be no execution against the City on the judgment unless a number of conditions which evidence the City's financial health occur. The City has not met those conditions and likely will not in the foreseeable future.

As to *Richard Fatur v. City of Eastlake, et al.*, Lake County Court of Common Pleas, Case No. 05 CV001922, the lawsuit remains in its infancy. A great number of the original claims and the number of years at issue has previously been reduced on the defendants' motion to dismiss. A motion to reconsider the refusal to accept jurisdiction by the Ohio Supreme Court is pending. The City has presented, and still has available, numerous arguments of law and fact.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Grants

For the period January 1, 2009, to December 31, 2009, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

Note 16 - Jointly Governed Organization

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. The City did not contribute to NOPEC during 2009.

Note 17 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October 1, 1993. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2009, the City of Eastlake paid \$113,157 in premiums from the general fund and special revenue funds, which represents 11.78 percent of total premiums. Financial information can be obtained by contacting the fiscal agent, Allison Chance, Acting Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio, 44146.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 18 - Related Organization

The Eastlake Port Authority was created under the Ohio Revised Code and conducts port development and operations. The Authority is governed by a seven member Board of Directors which consists of five members appointed by the Mayor and two appointed by City Council. The City's accountability does not extend beyond appointing board members.

City of Eastlake, Ohio
Management's Discussion and Analysis
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The discussion and analysis of the City of Eastlake's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

- During 2008, the City was released from fiscal emergency.
- Total net assets increased by \$1,223,806 which represents an increase of 4 percent over 2007. The significant increase was due to revenues exceeding expenditures in both governmental activities and business-type activities.
- General revenues made up 71 percent of the total revenues for governmental activities in 2008, and of this amount, 49 percent was provided through municipal income taxes, and 22 percent provided from property taxes. These being two of the most critical sources of revenue for the City.
- The City had \$18,809,029 in expenses related to governmental activities. Of this amount, \$5,821,049 was offset by program specific charges for services, grants or contributions.

Using This Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of Eastlake's basic financial statements. These statements are organized so that readers can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasing detailed look at specific financial conditions.

The statement of Net Assets and Statement of Activities provide information about the activities of the whole City. They provide both an aggregate view of the City's finances in addition to a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

The City of Eastlake as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Eastlake, Ohio
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The *statement of net assets* presents information on all of the City of Eastlake's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Eastlake is improving or deteriorating. However, the analysis on the City's condition must also look at the City's tax base, property tax evaluation and the condition of the City's assets.

The *statement of activities* presents information showing how the government's net assets changed during the recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Eastlake that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Eastlake include general government, security of persons and property (police and fire), public health services, leisure time activities, community environment and transportation. Business-type activity includes sanitary sewer and storm water operations.

Reporting the City's Most Significant Funds

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eastlake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Eastlake can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on balances of expendable resources available at the end of the year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Eastlake maintains thirty-five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, general bond retirement and callable bond retirement debt service funds, and road improvement capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation.

The City of Eastlake adopts an annual appropriated budget for each of its funds to demonstrate budgetary compliance.

City of Eastlake, Ohio
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Proprietary Funds The City of Eastlake's only proprietary funds are the sanitary sewer and storm water enterprise funds. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds The City uses agency funds to account for Council withholdings used for civic purposes, insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, construction deposits, and Lake County water collections. The City assigns an agency fund to account for these receipts and disbursements.

Notes to the Basic Financial Statements The notes provide additional information that are essential for a full understanding of the data provided in the government-wide and fund financial statements.

The City as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007
Assets						
Current and Other Assets	\$25,105,785	\$24,239,112	\$1,413,864	\$1,070,978	\$26,519,649	\$25,310,090
Capital Assets, Net	38,667,519	39,167,259	2,190,681	2,270,746	40,858,200	41,438,005
Total Assets	63,773,304	63,406,371	3,604,545	3,341,724	67,377,849	66,748,095
Liabilities						
Current Liabilities	5,235,340	5,227,609	15,746	15,710	5,251,086	5,243,319
Long-Term Liabilities						
Due Within One Year	1,166,844	1,205,239	19,106	23,766	1,185,950	1,229,005
Due in More Than One Year	28,402,269	28,959,848	49,144	50,329	28,451,413	29,010,177
Total Liabilities	34,804,453	35,392,696	83,996	89,805	34,888,449	35,482,501
Net Assets						
Invested in Capital Assets, Net of Related Debt	11,845,890	11,236,741	2,190,681	2,270,746	14,036,571	13,507,487
Restricted for:						
Capital Projects	1,260,775	1,698,857	0	0	1,260,775	1,698,857
Debt Service	6,307,405	4,074,362	0	0	6,307,405	4,074,362
Other Purposes	1,262,341	1,496,255	0	0	1,262,341	1,496,255
Unrestricted	8,292,440	9,507,460	1,329,868	981,173	9,622,308	10,488,633
Total Net Assets	\$28,968,851	\$28,013,675	\$3,520,549	\$3,251,919	\$32,489,400	\$31,265,594

City of Eastlake, Ohio
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For the City of Eastlake, total assets exceeded total liabilities by \$32,489,400 at the close of 2008. Of the total net assets, capital assets, net of related debt make up \$14,036,571 or 43 percent of net assets. Total net assets of the City increased from \$31,265,594 in 2007 to \$32,489,400 in 2008. This represents an increase of \$1,223,806 from 2007. The major component of the City's assets is capital assets, which account for \$40,858,200 of the City's total assets. This includes a \$26,000,000 minor league baseball stadium. This stadium was constructed without a dedicated yearly revenue stream for debt service outside of its general operating fund. The debt service payments when interest was included totaled over \$48 million dollars.

Governmental activities net assets increased by \$955,176 during 2008 and business-type activity net assets increased \$268,630. The City of Eastlake was able to report positive balances for combined net assets as well as for the separate governmental and business-type activities.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007
Revenues						
Program Revenues						
Charges for Services	\$2,831,609	\$2,899,431	\$1,974,569	\$1,891,819	\$4,806,178	\$4,791,250
Operating Grants and Contributions	2,299,839	3,823,780	0	0	2,299,839	3,823,780
Capital Grants and Contributions	689,601	557,103	658	0	690,259	557,103
Total Program Revenues	5,821,049	7,280,314	1,975,227	1,891,819	7,796,276	9,172,133
General Revenues						
Property Taxes	3,075,744	3,163,301	0	0	3,075,744	3,163,301
Income Taxes	6,845,864	7,292,147	0	0	6,845,864	7,292,147
Hotel Taxes	51,121	456,760	0	0	51,121	456,760
Grants and Entitlements	3,616,021	3,440,168	0	0	3,616,021	3,440,168
Franchise Taxes	200,103	0	0	0	200,103	0
Investment Earnings	220,123	490,518	2,088	0	222,211	490,518
Other	35,799	216,718	0	0	35,799	216,718
Total General Revenues	14,044,775	15,059,612	2,088	0	14,046,863	15,059,612
Total Revenues	19,865,824	22,339,926	1,977,315	1,891,819	21,843,139	24,231,745
Program Expenses						
General Government	(3,700,046)	(3,700,216)	0	0	(3,700,046)	(3,700,216)
Security of Persons and Property	(7,707,825)	(7,367,039)	0	0	(7,707,825)	(7,367,039)
Public Health and Welfare	(194,637)	(174,954)	0	0	(194,637)	(174,954)
Transportation	(2,450,453)	(1,344,143)	0	0	(2,450,453)	(1,344,143)
Community Environment	(313,036)	(300,256)	0	0	(313,036)	(300,256)
Basic Utility Services	(1,837,320)	(2,232,480)	0	0	(1,837,320)	(2,232,480)
Leisure Time Activities	(1,226,545)	(1,025,972)	0	0	(1,226,545)	(1,025,972)
Interest	(1,379,167)	(1,363,613)	0	0	(1,379,167)	(1,363,613)
Sewer	0	0	(1,810,304)	(1,896,883)	(1,810,304)	(1,896,883)
Total Program Expenses	(18,809,029)	(17,508,673)	(1,810,304)	(1,896,883)	(20,619,333)	(19,405,556)
Transfers	(101,619)	(171,865)	101,619	171,865	0	0
Increase in Net Assets	955,176	4,659,388	268,630	166,801	1,223,806	4,826,189
Net Assets Beginning of Year	28,013,675	23,354,287	3,251,919	3,085,118	31,265,594	26,439,405
Net Assets End of Year	\$28,968,851	\$28,013,675	\$3,520,549	\$3,251,919	\$32,489,400	\$31,265,594

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Governmental Activities

Total revenues decreased \$2,474,102 due to fewer property and municipal income taxes received than expected as well as investment earnings declining due to the economy. Property and municipal income taxes decreased \$533,840 while investment earnings decreased \$270,395. Several sources fund governmental activities with the municipal income tax being the largest component. The City has a current municipal income tax rate of 2 percent. The City grants a 2 percent credit to residents who pay municipal income tax to another city. Property tax collections are the next largest source of revenue for governmental activities. The City collects 3 mills of inside millage and 5.3 mills of outside millage. The outside millage is generated from a 1.8 mill general fund operating levy, 3 mill road levy, and a .5 fire levy. The City is constantly reviewing its fee structure to insure that all fees constitute a fair charge for the cost of providing government services.

Expenses for governmental activities increased by \$1,300,356 from 2007 levels. The largest expense is the police and fire departments. In 2008, the police and fire departments, in total, had expenses of \$7,707,825. Expenses in the police and fire departments increased by \$340,786 from 2007 levels. The rise in the police and fire departments 2008 expenses was caused by an overall increase in compensation levels due to the implementation of collective bargaining agreements.

The City's fire department consists of one fire chief, one fire marshal, six officers, 21 firemen, and one administrative secretary. All of these personnel are cross trained as paramedics. In December of 2002, the City began charging for ambulance rides. Proceeds of the ambulance billings are pledged by ordinance to help defray the costs of the personnel, training, and other operational costs.

Two other major expenses are leisure time activities and transportation. The recreation department accounts for 7 percent of governmental expenses, while the operations of the road department accounts for 13 percent of total governmental expenses. The City uses a combination of state gas and license taxes, and waste water charges to fund a 17 person service department. The City annually adopts a "road program" which details the streets that will be resurfaced each year.

Business-Type Activities

The City's business-type activities are comprised of two enterprise funds, which are the City's sanitary sewer system and storm water collection. Net assets increased \$268,630 from the previous year. In 2008, the City began collections on storm water. The fee is a yearly payment of \$6 per residence.

Governmental Funds

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of a government's net resources. Governmental fund information can be found on page 66 and is accounted for using the modified accrual basis of accounting.

At the end of 2008 the City of Eastlake reported combined governmental fund balances of \$12,052,705. Of this amount, \$11,341,319 constitutes unreserved balances, which are available for spending. The remaining \$711,386 is reserved to indicate that it is not available for spending due to contractual commitments and advances of the prior period.

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Governmental funds had total revenues of \$20,169,903 and expenditures of \$18,997,296 leaving a difference of revenues over expenditures of \$1,172,607. This relates to the City's continued strict monitoring and limited spending from their recent release from fiscal emergency.

The general fund is the primary operating fund of the City and at the end of 2008, had a balance of \$4,069,143, which is a small decrease of \$3,710 from 2007.

The City's other major funds in 2008 were the general bond retirement and callable bond retirement debt service funds and the road improvement capital projects fund.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2008, the City amended its general fund accordingly to avoid waiting until the end of the year to adjust appropriations. All recommendations for budget changes are presented to the Finance Committee of Council before going to City Council for legislative action to approve the change. Budgetary changes normally consist of requests for additional funds to cover overtime, union wage adjustments, and transfers to the callable bond debt service retirement fund and the employee termination special revenue fund. The control level of the general fund is by object within each department. This allows the City to make small interdepartmental budget modifications within departments. The general fund is monitored closely with regard to revenues and related expenditures. There was a decrease in revenues from the final budget to actual due to lower property and income taxes received than expected. There was also a decrease in actual expenditures made compared to the final budget. This was due to restricting spending as much as possible in the City's efforts to continue its financial recovery.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2008 balances of capital assets as compared to 2007.

Table 3
 Capital Assets at December 31
 (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$7,085,025	\$7,001,655	\$75,556	\$75,556	\$7,160,581	\$7,077,211
Construction in Progress	0	1,195,452	0	0	0	1,195,452
Land Improvements	15,310,405	15,540,934	0	0	15,310,405	15,540,934
Buildings and Improvements	3,683,251	3,856,564	161,792	163,899	3,845,043	4,020,463
Machinery and Equipment	816,895	929,794	37,571	58,645	854,466	988,439
Vehicles	2,333,935	2,221,243	111,309	112,633	2,445,244	2,333,876
Infrastructure	9,438,008	8,421,617	1,804,453	1,860,013	11,242,461	10,281,630
Total Capital Assets	\$38,667,519	\$39,167,259	\$2,190,681	\$2,270,746	\$40,858,200	\$41,438,005

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Total net capital assets for the City of Eastlake were \$40,858,200, a decrease of \$579,805 from 2007. Capital assets for governmental activities were \$38,667,519, a decrease of \$499,740 from 2007. Capital assets for business-type activities were \$2,190,681, a decrease of \$80,065 from 2007. The decrease is attributed to accumulated depreciation being larger than additions for the year. Additional information concerning the City's capital assets can be found in Note 8 to the basic financial statements.

Debt

Table 4 summarizes the City's long-term obligations outstanding.

Table 4
 Outstanding Obligations at Year End

	Governmental Activities		Business-Type Activity		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$26,895,000	\$27,660,000	\$0	\$0	\$26,895,000	\$27,660,000
OPWC Loans	295,921	320,752	0	0	295,921	320,752
ODOT Payable	296,560	0	0	0	296,560	0
Capital Leases	2,269	8,262	0	0	2,269	8,262
Compensated Absences	2,079,363	2,176,073	68,250	74,095	2,147,613	2,250,168
Total	\$29,569,113	\$30,165,087	\$68,250	\$74,095	\$29,637,363	\$30,239,182

The general obligation bonds outstanding consist of the 2002 Capital Facilities Bonds, 2004 Capital Facilities and Various Purpose Bonds, and the 2005 City Hall Refunding bonds.

The capital facilities and various purpose bonds are associated with the construction of a minor league baseball stadium. The stadium opened on April 10, 2003. \$725,000 of the capital facilities bonds, however, was used to purchase real estate unrelated to the construction of the stadium.

The OPWC loans outstanding are for infrastructure improvement projects, which are being repaid using road improvement capital projects revenues.

The ODOT payable consists of money owed to the Ohio Department of Transportation for work done on the access modification to the baseball stadium and parking lot. The payable is being repaid from the Road Improvement capital projects fund.

Additional information concerning debt issuances can be found in Note 13 to the basic financial statements.

Current Related Financial Activities

The City maintains a careful watch over its financial operations. This, coupled with an improving economy, should help the City continue to remain financially strong. In addition, the City of Eastlake has a strong internal control system, and has implemented even more stringent budgeting and procurement standards to help the City meet the challenges of the future. The City remains open to providing the Citizens of Eastlake with full disclosure of the financial position of the City.

City of Eastlake, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Contacting the City of Eastlake's Financial Management

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Director, City of Eastlake, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

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City of Eastlake, Ohio

Statement of Net Assets

December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,981,652	\$453,246	\$11,434,898
Accounts Receivable	757,256	657,562	1,414,818
Accrued Interest Receivable	2,224	2,088	4,312
Intergovernmental Receivable	2,677,725	0	2,677,725
Municipal Income Taxes Receivable	5,635,961	0	5,635,961
Permissive Motor Vehicle Taxes Receivable	11,118	0	11,118
Prepaid Items	80,357	0	80,357
Materials and Supplies Inventory	116,444	3,387	119,831
Property Taxes Receivable	4,174,927	0	4,174,927
Special Assessments Receivable	0	297,581	297,581
Deferred Charges	668,121	0	668,121
Nondepreciable Capital Assets	7,085,025	75,556	7,160,581
Depreciable Capital Assets, Net	31,582,494	2,115,125	33,697,619
<i>Total Assets</i>	<u>63,773,304</u>	<u>3,604,545</u>	<u>67,377,849</u>
Liabilities			
Accounts Payable	150,884	4,796	155,680
Contracts Payable	61,791	0	61,791
Accrued Wages	215,908	9,494	225,402
Matured Compensated Absences Payable	15,487	0	15,487
Intergovernmental Payable	503,854	1,456	505,310
Retainage Payable	14,308	0	14,308
Accrued Interest Payable	329,955	0	329,955
Deferred Revenue	3,943,153	0	3,943,153
Long-Term Liabilities:			
Due Within One Year	1,166,844	19,106	1,185,950
Due In More Than One Year	28,402,269	49,144	28,451,413
<i>Total Liabilities</i>	<u>34,804,453</u>	<u>83,996</u>	<u>34,888,449</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	11,845,890	2,190,681	14,036,571
Restricted for:			
Capital Projects	1,260,775	0	1,260,775
Debt Service	6,307,405	0	6,307,405
State Highway	114,276	0	114,276
Street Maintenance	390,407	0	390,407
Permissive Motor Vehicle Tax	166,269	0	166,269
Recreation and Land	191,673	0	191,673
Other Purposes	399,716	0	399,716
Unrestricted	8,292,440	1,329,868	9,622,308
<i>Total Net Assets</i>	<u>\$28,968,851</u>	<u>\$3,520,549</u>	<u>\$32,489,400</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General Government	\$3,700,046	\$200,036	\$17,552	\$0
Security of Persons and Property	7,707,825	762,572	220,530	81,776
Public Health Services	194,637	0	0	0
Transportation	2,450,453	104,919	1,877,855	607,825
Community Environment	313,036	230,207	0	0
Basic Utility Services	1,837,320	942,689	0	0
Leisure Time Activities	1,226,545	591,186	183,902	0
Interest and Fiscal Charges	1,379,167	0	0	0
<i>Total Governmental Activities</i>	<u>18,809,029</u>	<u>2,831,609</u>	<u>2,299,839</u>	<u>689,601</u>
Business-Type Activities:				
Sanitary Sewer	1,810,304	1,933,451	0	658
Storm Water	0	41,118	0	0
<i>Total Business-Type Activities</i>	<u>1,810,304</u>	<u>1,974,569</u>	<u>0</u>	<u>658</u>
<i>Total</i>	<u>\$20,619,333</u>	<u>\$4,806,178</u>	<u>\$2,299,839</u>	<u>\$690,259</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Debt Service
- Police Pension
- Fire Pension
- Fire Levy
- Road Levy

Municipal Income Tax Levied for General Purposes

Hotel Taxes

Grants and Entitlements not Restricted to Specific Programs

Franchise Taxes

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year - Restated (See Note 3)

Net Assets, End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,482,458)	\$0	(\$3,482,458)
(6,642,947)	0	(6,642,947)
(194,637)	0	(194,637)
140,146	0	140,146
(82,829)	0	(82,829)
(894,631)	0	(894,631)
(451,457)	0	(451,457)
(1,379,167)	0	(1,379,167)
(12,987,980)	0	(12,987,980)
0	123,805	123,805
0	41,118	41,118
0	164,923	164,923
(12,987,980)	164,923	(12,823,057)
1,485,332	0	1,485,332
216,050	0	216,050
155,814	0	155,814
155,808	0	155,808
167,329	0	167,329
895,411	0	895,411
6,845,864	0	6,845,864
51,121	0	51,121
3,616,021	0	3,616,021
200,103	0	200,103
220,123	2,088	222,211
35,799	0	35,799
14,044,775	2,088	14,046,863
(101,619)	101,619	0
13,943,156	103,707	14,046,863
955,176	268,630	1,223,806
28,013,675	3,251,919	31,265,594
\$28,968,851	\$3,520,549	\$32,489,400

City of Eastlake, Ohio

Balance Sheet

Governmental Funds

December 31, 2008

	General	General Bond Retirement	Callable Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$3,011,170	\$711	\$5,635,467	\$286,345	\$2,047,959	\$10,981,652
Accounts Receivable	755,796	0	0	0	1,460	757,256
Accrued Interest Receivable	2,224	0	0	0	0	2,224
Intergovernmental Receivable	1,151,061	13,581	959,310	52,458	501,315	2,677,725
Municipal Income Taxes Receivable	5,635,961	0	0	0	0	5,635,961
Permissive Motor Vehicle						
Taxes Receivable	0	0	0	0	11,118	11,118
Prepaid Items	52,262	0	0	0	28,095	80,357
Materials and Supplies Inventory	25,484	0	0	42,317	48,643	116,444
Property Taxes Receivable	2,032,445	232,083	0	1,291,991	618,408	4,174,927
<i>Total Assets</i>	<u>\$12,666,403</u>	<u>\$246,375</u>	<u>\$6,594,777</u>	<u>\$1,673,111</u>	<u>\$3,256,998</u>	<u>\$24,437,664</u>
Liabilities						
Accounts Payable	\$101,327	\$0	\$0	\$22,584	\$26,973	\$150,884
Contracts Payable	0	0	0	61,791	0	61,791
Accrued Wages	194,359	0	0	12,223	9,326	215,908
Matured Compensated Absences Payable	15,487	0	0	0	0	15,487
Intergovernmental Payable	378,892	0	0	1,833	123,129	503,854
Retainage Payable	0	0	0	14,308	0	14,308
Deferred Revenue	7,907,195	245,664	959,310	1,344,449	966,109	11,422,727
<i>Total Liabilities</i>	<u>8,597,260</u>	<u>245,664</u>	<u>959,310</u>	<u>1,457,188</u>	<u>1,125,537</u>	<u>12,384,959</u>
Fund Balances						
Reserved for Encumbrances	400,346	0	0	141,468	169,572	711,386
Unreserved:						
Undesignated, Reported in:						
General Fund	3,668,797	0	0	0	0	3,668,797
Special Revenue Funds	0	0	0	0	963,103	963,103
Debt Service Funds	0	711	5,635,467	0	15,404	5,651,582
Capital Projects Funds	0	0	0	74,455	983,382	1,057,837
<i>Total Fund Balances</i>	<u>4,069,143</u>	<u>711</u>	<u>5,635,467</u>	<u>215,923</u>	<u>2,131,461</u>	<u>12,052,705</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$12,666,403</u>	<u>\$246,375</u>	<u>\$6,594,777</u>	<u>\$1,673,111</u>	<u>\$3,256,998</u>	<u>\$24,437,664</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2008*

Total Governmental Funds Balances	\$12,052,705
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,667,519
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Charges for Services	442,336
Intergovernmental	2,097,013
Municipal Income Taxes	4,708,451
Property Taxes	231,774
Total	7,479,574

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(329,955)
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Bond issuance costs will be amortized over the life of the bonds on the statement of net assets.	668,121
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(26,895,000)
OPWC Loans Payable	(295,921)
Capital Leases Payable	(2,269)
ODOT Payable	(296,560)
Compensated Absences Payable	(2,079,363)
Total	(29,569,113)

<i>Net Assets of Governmental Activities</i>	<u><u>\$28,968,851</u></u>
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See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	General Bond Retirement	Callable Bond Retirement	Road Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$1,478,391	\$214,928	\$0	\$907,707	\$475,456	\$3,076,482
Municipal Income Taxes	7,096,439	0	0	0	0	7,096,439
Hotel Taxes	0	0	0	0	51,121	51,121
Permissive Motor Vehicle Taxes	0	0	0	0	142,638	142,638
Intergovernmental	3,558,022	35,523	923,780	766,208	1,375,960	6,659,493
Charges for Services	1,650,274	0	0	0	103,488	1,753,762
Fees, Licenses and Permits	265,956	0	0	0	1,579	267,535
Franchise Taxes	200,103	0	0	0	0	200,103
Fines and Forfeitures	186,905	0	0	0	13,755	200,660
Interest	110,548	0	101,170	0	8,405	220,123
Rentals	0	0	0	0	390,338	390,338
Contributions and Donations	23,616	0	0	0	51,794	75,410
Other	31,198	0	0	0	4,601	35,799
<i>Total Revenues</i>	<u>14,601,452</u>	<u>250,451</u>	<u>1,024,950</u>	<u>1,673,915</u>	<u>2,619,135</u>	<u>20,169,903</u>
Expenditures						
Current:						
General Government	3,668,475	2,944	0	0	0	3,671,419
Security of Persons and Property	6,921,342	0	0	0	482,170	7,403,512
Public Health Services	194,637	0	0	0	0	194,637
Transportation	258,328	0	0	605,037	1,170,120	2,033,485
Community Environment	311,027	0	0	0	0	311,027
Basic Utility Services	973,305	0	0	0	3,868	977,173
Leisure Time Activities	495,901	0	0	0	258,838	754,739
Capital Outlay	0	0	0	1,301,361	184,538	1,485,899
Debt Service:						
Principal Retirement	5,993	765,000	0	24,831	0	795,824
Interest and Fiscal Charges	332	1,369,249	0	0	0	1,369,581
<i>Total Expenditures</i>	<u>12,829,340</u>	<u>2,137,193</u>	<u>0</u>	<u>1,931,229</u>	<u>2,099,534</u>	<u>18,997,296</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,772,112</u>	<u>(1,886,742)</u>	<u>1,024,950</u>	<u>(257,314)</u>	<u>519,601</u>	<u>1,172,607</u>
Other Financing Sources (Uses)						
Transfers In	0	1,824,679	300,000	0	242,822	2,367,501
Transfers Out	(1,775,822)	0	0	0	(591,679)	(2,367,501)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,775,822)</u>	<u>1,824,679</u>	<u>300,000</u>	<u>0</u>	<u>(348,857)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(3,710)	(62,063)	1,324,950	(257,314)	170,744	1,172,607
<i>Fund Balances, Beginning of Year</i>	4,072,853	62,774	4,310,517	473,237	1,960,717	10,880,098
<i>Fund Balances, End of Year</i>	<u>\$4,069,143</u>	<u>\$711</u>	<u>\$5,635,467</u>	<u>\$215,923</u>	<u>\$2,131,461</u>	<u>\$12,052,705</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008*

Net Change in Fund Balances - Total Governmental Funds \$1,172,607

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	1,384,280	
Depreciation	(1,883,394)	
Total		(499,114)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a loss is reported for each disposal. (626)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in governmental funds.

Property Taxes	(738)	
Municipal Income Taxes	(250,575)	
Permissive Motor Vehicle Taxes	(46,988)	
Intergovernmental	(129,442)	
Charges for Services	123,664	
Total		(304,079)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	765,000	
OPWC Loans Payable	24,831	
Capital Leases Payable	5,993	
Total		795,824

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Accrued Interest	5,149	
Amortization of Bond Issuance Costs	(14,735)	
Total		(9,586)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

ODOT Payable	(296,560)	
Compensated Absences	96,710	
Total		(199,850)

Change in Net Assets of Governmental Activities \$955,176

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$1,507,262	\$1,507,262	\$1,478,391	(\$28,871)
Municipal Income Taxes	7,209,000	7,209,000	7,004,381	(204,619)
Intergovernmental	3,224,726	3,222,826	3,592,869	370,043
Charges for Services	1,578,123	1,568,123	1,581,808	13,685
Fees, Licenses and Permits	227,899	230,899	265,956	35,057
Franchise Taxes	190,000	210,900	344,580	133,680
Fines and Forfeitures	185,000	185,600	184,088	(1,512)
Interest	124,000	105,025	108,324	3,299
Contributions and Donations	0	0	23,616	23,616
Other	131,400	57,775	53,890	(3,885)
<i>Total Revenues</i>	<u>14,377,410</u>	<u>14,297,410</u>	<u>14,637,903</u>	<u>340,493</u>
Expenditures				
Current:				
General Government	4,021,247	3,991,497	3,899,655	91,842
Security of Persons and Property	7,004,594	7,091,594	6,934,166	157,428
Public Health Services	220,000	208,500	208,137	363
Transportation	282,774	284,574	268,424	16,150
Community Environment	327,621	329,821	312,845	16,976
Basic Utility Services	997,173	997,173	994,795	2,378
Leisure Time Activities	546,524	567,924	533,069	34,855
Debt Service:				
Principal Retirement	0	168,000	168,000	0
<i>Total Expenditures</i>	<u>13,399,933</u>	<u>13,639,083</u>	<u>13,319,091</u>	<u>319,992</u>
<i>Excess of Revenues Over Expenditures</i>	977,477	658,327	1,318,812	660,485
Other Financing Uses				
Transfers Out	(1,375,000)	(1,608,000)	(1,607,822)	178
<i>Net Change in Fund Balance</i>	(397,523)	(949,673)	(289,010)	660,663
<i>Fund Balance, Beginning of Year</i>	2,258,679	2,258,679	2,258,679	0
Prior Year Encumbrances Appropriated	571,690	571,690	571,690	0
<i>Fund Balance, End of Year</i>	<u>\$2,432,846</u>	<u>\$1,880,696</u>	<u>\$2,541,359</u>	<u>\$660,663</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2008

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$414,825	\$38,421	\$453,246
Accounts Receivable	654,865	2,697	657,562
Accrued Interest Receivable	2,088	0	2,088
Special Assessments Receivable	3,038	0	3,038
Materials and Supplies Inventory	3,387	0	3,387
<i>Total Current Assets</i>	<u>1,078,203</u>	<u>41,118</u>	<u>1,119,321</u>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	294,543	0	294,543
Nondepreciable Capital Assets	75,556	0	75,556
Depreciable Capital Assets, Net	2,115,125	0	2,115,125
<i>Total Noncurrent Assets</i>	<u>2,485,224</u>	<u>0</u>	<u>2,485,224</u>
<i>Total Assets</i>	<u>3,563,427</u>	<u>41,118</u>	<u>3,604,545</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	4,796	0	4,796
Accrued Wages	9,494	0	9,494
Intergovernmental Payable	1,456	0	1,456
Compensated Absences Payable	19,106	0	19,106
<i>Total Current Liabilities</i>	34,852	0	34,852
<i>Non-Current Liabilities (Net of Current Portion)</i>			
Compensated Absences Payable	49,144	0	49,144
<i>Total Liabilities</i>	<u>83,996</u>	<u>0</u>	<u>83,996</u>
Net Assets			
Invested in Capital Assets	2,190,681	0	2,190,681
Unrestricted	1,288,750	41,118	1,329,868
<i>Total Net Assets</i>	<u>\$3,479,431</u>	<u>\$41,118</u>	<u>\$3,520,549</u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2008*

	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenue			
Charges for Services	\$1,865,099	\$41,118	\$1,906,217
Special Assessments	68,352	0	68,352
<i>Total Operating Revenues</i>	<u>1,933,451</u>	<u>41,118</u>	<u>1,974,569</u>
Operating Expenses			
Personal Services	305,421	0	305,421
Fringe Benefits	7,539	0	7,539
Materials and Supplies	1,182,553	0	1,182,553
Contractual Services	124,008	0	124,008
Depreciation	189,551	0	189,551
Other	1,232	0	1,232
<i>Total Operating Expenses</i>	<u>1,810,304</u>	<u>0</u>	<u>1,810,304</u>
<i>Operating Income</i>	<u>123,147</u>	<u>41,118</u>	<u>164,265</u>
Non-Operating Revenue			
Capital Grants	658	0	658
Interest Revenue	2,088	0	2,088
<i>Total Non-Operating Revenue</i>	<u>2,746</u>	<u>0</u>	<u>2,746</u>
<i>Income before Capital Contributions</i>	125,893	41,118	167,011
Capital Contributions	101,619	0	101,619
<i>Change in Net Assets</i>	227,512	41,118	268,630
<i>Net Assets, Beginning of Year - Restated (See Note 3)</i>	<u>3,251,919</u>	<u>0</u>	<u>3,251,919</u>
<i>Net Assets, End of Year</i>	<u><u>\$3,479,431</u></u>	<u><u>\$41,118</u></u>	<u><u>\$3,520,549</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2008

	Sanitary Sewer	Storm Water	Total
Increase in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,810,096	\$38,421	\$1,848,517
Cash Received from Special Assessments	29,675	0	29,675
Cash Payments to Suppliers for Goods and Services	(1,309,236)	0	(1,309,236)
Cash Payments for Employee Services and Benefits	(319,372)	0	(319,372)
Cash Payments for Other Operating Expenses	(1,232)	0	(1,232)
<i>Net Cash Provided by Operating Activities</i>	<u>209,931</u>	<u>38,421</u>	<u>248,352</u>
Cash Flows from Capital and Related Financing Activities			
Capital Grants	658	0	658
Acquisition of Capital Assets	(7,867)	0	(7,867)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(7,209)</u>	<u>0</u>	<u>(7,209)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	202,722	38,421	241,143
<i>Cash and Cash Equivalents, Beginning of Year</i>	<u>212,103</u>	<u>0</u>	<u>212,103</u>
<i>Cash and Cash Equivalents, End of Year</i>	<u><u>\$414,825</u></u>	<u><u>\$38,421</u></u>	<u><u>\$453,246</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$123,147	\$41,118	\$164,265
Adjustments:			
Depreciation	189,551	0	189,551
Increase/(Decrease) in Assets:			
Accounts Receivable	(55,003)	(2,697)	(57,700)
Materials and Supplies Inventory	(3,387)	0	(3,387)
Prepaid Items	109	0	109
Special Assessments Receivable	(38,677)	0	(38,677)
Increase/(Decrease) in Liabilities:			
Accounts Payable	689	0	689
Accrued Wages	4,228	0	4,228
Compensated Absences Payable	(5,845)	0	(5,845)
Intergovernmental Payable	(4,881)	0	(4,881)
<i>Net Cash, Provided by Operating Activities</i>	<u><u>\$209,931</u></u>	<u><u>\$38,421</u></u>	<u><u>\$248,352</u></u>

Non-Cash Capital Transactions

In 2008, governmental activities transferred capital assets to the Sewer enterprise fund, in the amount of \$101,619.

See Accompanying Notes to the Basic Financial Statements

City of Eastlake, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$230,879</u>
Liabilities	
Deposits Held and Due to Others	<u>\$230,879</u>
See Accompanying Notes to the Basic Financial Statements	

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Reporting Entity

The City of Eastlake is a charter municipal corporation established and operated under the laws of the State of Ohio. The charter first became effective November 3, 1953. The current charter provides for a council-mayor form of government. Elected officials include six council members and a mayor. The council members are elected for five year staggered terms. Two of the council members are elected at large. The mayor is elected for a five year term.

Reporting Entity

A reporting entity is comprised 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, boards and departments that are not legally separate from the City. For the City of Eastlake, this includes the agencies and departments that provide the following services: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, sanitary sewer service and general administrative 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 deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The reporting entity of the City does not include any component units.

The City participates in a jointly governed organization and an insurance purchasing pool. These organizations are the Northeast Ohio Public Energy Council and the Northern Ohio Risk Management Association (NORMA). The City is also involved with the Eastlake Port Authority, a related organization. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Eastlake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Basis of Presentation

The City's basic financial statements consist of government-wide 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.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues 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 interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues 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.

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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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 of Eastlake and/or the general laws of Ohio.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

General Bond Retirement Fund The general bond retirement debt service fund is used to account for property tax revenues to be used to pay principal and interest on general obligation bonds issued.

Callable Bond Retirement Fund The callable bond retirement debt service fund is used to account for proceeds from a federal transportation grant, as well as cell tower easement, to be used to call City bonds.

Road Improvement Fund The road improvement capital projects fund is used to account for monies received from a three percent levy for road construction and improvements made to the City.

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

Proprietary Fund Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Fund - Enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sanitary Sewer Fund The sanitary sewer fund accounts for the operation of the City's sanitary sewer service.

Storm Water Fund The storm water fund accounts for the operations of the storm water collection system within the City.

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 only utilizes the agency fund type. The agency fund accounts for employee payroll withholdings and deductions, insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished, construction deposits, and Lake County water collections.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes and grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, interest, Federal and State grants and subsidies, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees and fines and forfeitures.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Budgetary Data

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 resolution, 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 Council may appropriate. The appropriations resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the personal services and other object level) for all other funds. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services. Budgetary modifications may only be made by resolution 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 revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amount on the amended certificate of estimated resources in effect at the time the original and final appropriations were enacted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as original budgeted amounts reflect the first appropriation resolution 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 Council during that year.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2008, investments were limited to STAR Ohio and non-negotiable certificates of deposit. Non-negotiable certificates of deposit are reported at cost.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to City funds according to State statutes, City Charter, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2008 was \$110,548, which includes \$50,617 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	50 years	50 years
Buildings and Improvements	50 years	50 years
Machinery and Equipment	5 - 30 years	5 - 30 years
Vehicles	5 - 15 years	5 - 15 years
Infrastructure	25 years	50 years

The City's infrastructure consists of streets, sidewalks, and sanitary sewers and includes infrastructure acquired prior to December 31, 1980.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on City policy and length of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Fund Balance Reserves and Designations

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted for other purposes include police and fire operations and senior center operations.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for sanitary sewer and storm water services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds initially paid for them are not presented on the financial statements.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Bond Issuance Costs

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. Within the governmental fund statements, bond issuance costs are expensed when incurred. Issuance costs are generally paid from bond proceeds.

As permitted by State statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Changes in Accounting Principles and Restatement of Net Assets

Change in Accounting Principles

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the City’s financial statements.

Restatement of Net Assets

In the prior fiscal year, the City incorrectly recorded income taxes, capital leases, and unamortized bond issuance costs in governmental activities. Also, in the prior years, accumulated depreciation was recorded incorrectly in business-type activities.

The restatement had the following effect on net assets of the City as they were previously reported.

	Governmental Activities	Business-Type Activities
Net Assets at December 31, 2007	\$23,403,510	\$3,211,284
Income Taxes Receivable	4,541,300	0
Capital Leases Payable	10,369	0
Deferred Charges	58,496	0
Accumulated Depreciation	0	40,635
Restated Net Assets at December 31, 2007	\$28,013,675	\$3,251,919

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual are presented in the basic financial statements for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP Basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

GAAP Basis	(\$3,710)
Net Adjustment for Revenue Accruals	36,451
Net Adjustment for Expenditure Accruals	(791,562)
Encumbrances	469,811
	<hr/>
Budget Basis	<u><u>(\$289,010)</u></u>

Note 5 - Deposits and Investments

The City is a charter City and has adopted an investment policy through City Ordinance. The City has elected to follow the provision of State statute. State statutes 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.

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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,702,103 of the City's bank balance of \$11,665,777 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

At December 31, 2008, the City had \$1,689,367 invested in STAR Ohio with an average maturity of 54.7 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAM by Standard & Poor's. The City has no policy that addresses credit risk.

Concentration of Risk The City places no limit on the amount that may be invested in any one issuer.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 6 – Interfund Transfers

At December 31, 2008 interfund transfers were as follows:

	Transfer Out		
Transfer In	General	Other Governmental Funds	Total
General Bond Retirement	\$1,233,000	\$591,679	\$1,824,679
Callable Bond Retirement	300,000	0	300,000
Other Governmental Funds	242,822	0	242,822
Total	\$1,775,822	\$591,679	\$2,367,501

During 2008, the general fund made transfers to the general bond retirement and callable bond retirement debt service funds, in the amount of \$1,233,000, and \$300,000, respectively as debt payments came due. The general fund transfers to other governmental funds were made to provide additional resources for current operations. Other governmental funds made a transfer in the amount of \$591,679 to the general bond retirement debt service fund as debt payments came due.

Note 7 - Receivables

Receivables at December 31, 2008, consisted primarily of municipal income taxes, property and, permissive motor vehicle taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts (billings for utility service).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$294,543 in the sanitary sewer enterprise fund. At December 31, 2008, the amount of delinquent special assessments was \$83,819.

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 2008 for real and public property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Real property taxes are payable annually or semi-annually. If paid annually, 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. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay 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 at September 20.

The full tax rate for all City operations for the year ended December 31, 2008 was \$8.30 per \$1,000 of assessed value. The assessed values of real property, public utility tangible property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$344,968,170
Other Real Estate	127,550,700
Tangible Personal Property	
Public Utility	81,908,070
General	425,700
Total Assessed Values	\$554,852,640

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Eastlake. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the general fund, the police and fire pension special revenue funds, the general bond retirement debt service fund, and the road improvement and fire levy capital projects funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified basis the revenue is deferred.

Income Taxes

The City levies a municipal income tax of two percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside the City. The City allows a credit of two percent for income tax paid to another municipality up to the total amount owed to 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. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. All income tax received is recorded in the General Fund.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	
Local Government	\$993,342
Federal Transportation Grant	959,310
Gasoline Tax	339,984
Homestead and Rollback	142,086
Auto Registration	76,271
Tangible Personal Property Loss Reimbursements	45,853
Estate Tax	45,157
Victims of Crimes Act Grant	43,214
City of Willoughby	13,941
Ohio Peace Officer Training Grant	5,400
State Victim Assistance Academy Grant	3,924
Village of Lakeline	3,895
Willoughby Eastlake City School District	2,660
Lake County Visitor's Bureau	2,569
Lake County	119
Total	<u><u>\$2,677,725</u></u>

Note 8 – Capital Assets

A summary of changes in capital assets during 2008 follows:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$7,001,655	\$83,370	\$0	\$7,085,025
Construction in Progress	1,195,452	0	(1,195,452)	0
<i>Total Nondepreciable Capital Assets</i>	<u>8,197,107</u>	<u>83,370</u>	<u>(1,195,452)</u>	<u>7,085,025</u>
<i>Depreciable Capital Assets</i>				
Land Improvements	17,724,442	126,489	0	17,850,931
Buildings and Improvements	7,920,615	0	0	7,920,615
Machinery and Equipment	2,183,386	150,030	0	2,333,416
Vehicles	4,118,847	343,305	(121,787)	4,340,365
Infrastructure	19,515,211	1,876,538	0	21,391,749
<i>Total Depreciable Capital Assets</i>	<u>\$51,462,501</u>	<u>\$2,496,362</u>	<u>(\$121,787)</u>	<u>\$53,837,076</u>

(continued)

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Governmental Activities (continued)				
Less Accumulated Depreciation:				
Land Improvements	(\$2,183,508)	(\$357,018)	\$0	(\$2,540,526)
Buildings and Improvements	(4,064,051)	(173,313)	0	(4,237,364)
Machinery and Equipment	(1,253,592)	(262,929)	0	(1,516,521)
Vehicles	(1,897,604)	(229,987)	121,161	(2,006,430)
Infrastructure	(11,093,594)	(860,147)	0	(11,953,741)
<i>Total Accumulated Depreciation</i>	<u>(20,492,349)</u>	<u>(1,883,394) *</u>	<u>121,161</u>	<u>(22,254,582)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>30,970,152</u>	<u>612,968</u>	<u>(626)</u>	<u>31,582,494</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$39,167,259</u>	<u>\$696,338</u>	<u>(\$1,196,078)</u>	<u>\$38,667,519</u>
	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Business-Type Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$75,556	\$0	\$0	\$75,556
Construction in Progress	0	0	0	0
<i>Total Nondepreciable Capital Assets</i>	<u>75,556</u>	<u>0</u>	<u>0</u>	<u>75,556</u>
<i>Depreciable Capital Assets</i>				
Buildings and Improvements	897,876	3,193	0	901,069
Machinery and Equipment	89,693	4,674	(22,252)	72,115
Vehicles	427,086	0	0	427,086
Infrastructure				
Sewers	9,016,205	101,619	0	9,117,824
<i>Total Depreciable Capital Assets</i>	<u>10,430,860</u>	<u>109,486</u>	<u>(22,252)</u>	<u>10,518,094</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(733,977)	(5,300)	0	(739,277)
Machinery and Equipment	(31,048)	(3,496)	0	(34,544)
Vehicles	(314,453)	(23,576)	22,252	(315,777)
Infrastructure				
Sewers	(7,156,192)	(157,179)	0	(7,313,371)
<i>Total Accumulated Depreciation</i>	<u>(8,235,670)</u>	<u>(189,551)</u>	<u>22,252</u>	<u>(8,402,969)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>2,195,190</u>	<u>(80,065)</u>	<u>0</u>	<u>2,115,125</u>
<i>Total Business-Type Activities Capital Assets, Net</i>	<u>\$2,270,746</u>	<u>(\$80,065)</u>	<u>\$0</u>	<u>\$2,190,681</u>

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

* Depreciation expense was charged to governmental functions as follows:

General Government	\$108,362
Security of Persons and Property	271,441
Transportation	127,098
Community Environment	10,567
Basic Utility Services	860,147
Leisure Time Activities	505,779
Total	\$1,883,394

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the City participated in NORMA, an insurance pool for the following types of insurance:

Type	Coverage
Property	\$382,331,915
Inland Marine	7,300,000
General Liability	1,000,000
Automobile Liability	1,000,000
Law Enforcement Liability	1,000,000
Public Officials Liability	1,000,000
Employment Practices Liability	1,000,000
Umbrella	10,000,000

Claims have not exceeded this coverage in any of the past four years and there have been no significant reductions in overall commercial coverage in any of the past four years.

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

Note 10 – Defined Benefit Pension Plan

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 pension 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional plan benefit.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 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, 2008, the members in State and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$265,138, \$272,970, and \$316,160, respectively; 97 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$253 made by the City and \$181 made by the plan members.

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 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contributions 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 \$316,699 and \$294,202 for the year ended December 31, 2008, \$289,230 and \$282,060 for the year ended December 31, 2007, and \$271,953 and \$280,451 for the year ended December 31, 2006. 85 percent has been contributed for police and 84 percent for firefighters has been contributed for 2008. The full amount has been contributed for 2007 and 2006.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 11 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined 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-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local government employers contributed at a rate of 14.0 percent of covered payroll (17.4 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. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retirees or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$232,217, \$179,330, and \$154,644 respectively; 97 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, 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.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 health care 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 health care 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 health care 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 health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit 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, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively.

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 health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and 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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$155,470 and \$108,814 for the year ended December 31, 2008, \$153,122 and \$110,371 for the year ended December 31, 2007, and \$179,373 and \$133,753 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 85 percent has been contributed for police and 84 percent has been contributed for firefighters for 2008.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 12 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation at different rates which are affected by length of service. At the time of separation the employee is entitled to payment for any earned but unused vacation. Sick leave is accrued at the rate of 4.6 hours for each 80 hours of completed service, including paid holidays and paid vacation, with a maximum accumulation of 1,344 hours. Upon retirement, employees are paid for all the sick days they have accumulated.

Note 13 - Long-term Obligations

The original issuance amounts for the City’s long-term obligations are as follows:

Debt Issue	Interest Rate	Original Issue Amount	Year of Maturity
Governmental Activities			
<i>General Obligation Bonds:</i>			
Tax Exempt Capital Facilities Bonds - 2002	2-5%	\$4,380,000	2027
Taxable Capital Facilities Bonds - 2002	2-5%	8,180,000	2027
Capital Facilities Bonds - 2004	3.6-5.75%	4,320,000	2031
Various Purpose Bonds - 2004	2.5-5%	9,890,000	2031
City Hall Construction Refunding Bonds - 2005	3.6-6%	2,790,000	2017
<i>OPWC Loans:</i>			
North Parkway Road and Sewer	0%	50,000	2019
Eastlake 377th Street Road Improvement	0%	103,600	2014
Stevens Boulevard Road and Sewer	0%	49,138	2021
Parkland Drive Road and Sewer	0%	24,907	2021
East Overlook Road, Storm and Sanitary Sewer	0%	26,254	2023
Roberts Road Improvements	0%	150,000	2025
Plymouth Road and Sewer	0%	58,200	2025

Changes in long-term obligations of the City during 2008 were as follows:

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Balance 12/31/2007	Increase	Decrease	Balance 12/31/2008	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
Tax Exempt Capital Facilities Bonds					
Serial	\$690,000	\$0	\$130,000	560,000	\$135,000
Term	3,200,000	0	0	3,200,000	0
Total Tax Exempt Capital Facilities Bonds	<u>3,890,000</u>	<u>0</u>	<u>130,000</u>	<u>3,760,000</u>	<u>135,000</u>
Taxable Capital Facilities Bonds					
Serial	1,110,000	0	205,000	905,000	210,000
Term	6,325,000	0	0	6,325,000	0
Total Taxable Capital Facilities Bonds	<u>7,435,000</u>	<u>0</u>	<u>205,000</u>	<u>7,230,000</u>	<u>210,000</u>
Capital Facilities Bonds					
Serial	1,015,000	0	95,000	920,000	100,000
Term	3,215,000	0	0	3,215,000	0
Total Capital Facilities Bonds	<u>4,230,000</u>	<u>0</u>	<u>95,000</u>	<u>4,135,000</u>	<u>100,000</u>
Various Purpose Bonds					
Serial	2,425,000	0	135,000	2,290,000	140,000
Term	7,335,000	0	0	7,335,000	0
Total Various Purpose Bonds	<u>9,760,000</u>	<u>0</u>	<u>135,000</u>	<u>9,625,000</u>	<u>140,000</u>
City Hall Construction Refunding Bonds	<u>2,345,000</u>	<u>0</u>	<u>200,000</u>	<u>2,145,000</u>	<u>205,000</u>
<i>Total General Obligation Bonds</i>	<u>27,660,000</u>	<u>0</u>	<u>765,000</u>	<u>26,895,000</u>	<u>790,000</u>
OPWC Loans					
North Parkway Road and Sewer	27,500	0	2,500	25,000	2,500
East 377th Street Road Improvement	44,892	0	6,906	37,986	6,906
Stevens Boulevard Road and Sewer	31,939	0	2,457	29,482	2,457
Parkland Drive Road and Sewer	16,192	0	1,246	14,946	1,246
East Overlook Road, Storm and Sanitary Sewer	20,350	0	1,312	19,038	1,312
Roberts Road Improvements	127,500	0	7,500	120,000	7,500
Plymouth Road and Sewer	52,379	0	2,910	49,469	2,910
<i>Total OPWC Loans</i>	<u>320,752</u>	<u>0</u>	<u>24,831</u>	<u>295,921</u>	<u>24,831</u>
Other Long-Term Obligations					
ODOT Payable	0	329,511	32,951	296,560	32,951
Capital Leases Payable	8,262	0	5,993	2,269	2,269
Compensated Absences Payable	2,176,073	41,421	138,131	2,079,363	316,793
<i>Total Other Long-Term Obligations</i>	<u>2,184,335</u>	<u>370,932</u>	<u>177,075</u>	<u>2,378,192</u>	<u>352,013</u>
Total Governmental Activities	<u>\$30,165,087</u>	<u>\$370,932</u>	<u>\$966,906</u>	<u>\$29,569,113</u>	<u>\$1,166,844</u>
Business-Type Activities					
Compensated Absences Payable	<u>\$74,095</u>	<u>\$839</u>	<u>\$6,684</u>	<u>\$68,250</u>	<u>\$19,106</u>

General obligation bonds General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from both voted and unvoted general property taxes levied on all taxable property located within the City as well as municipal income taxes. Tax monies will be received in and the debt will be retired from the general obligation bond retirement debt service and road improvement capital projects funds.

City of Eastlake, Ohio
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The term bonds maturing on December 1, 2014, 2016, 2018, 2022, and 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue				
	\$315,000	\$340,000	\$370,000	\$3,585,000	\$4,915,000
2013	\$155,000	0	0	270,000	0
2014	0	0	0	290,000	0
2015	0	165,000	0	305,000	0
2016	0	0	0	325,000	0
2017	0	0	180,000	345,000	0
2018	0	0	0	365,000	0
2019	0	0	0	385,000	200,000
2020	0	0	0	410,000	205,000
2021	0	0	0	430,000	215,000
2022	0	0	0	0	230,000
2023	0	0	0	0	725,000
2024	0	0	0	0	765,000
2025	0	0	0	0	810,000
2030	0	0	0	0	860,000
Total	<u>\$155,000</u>	<u>\$165,000</u>	<u>\$180,000</u>	<u>\$3,125,000</u>	<u>\$4,010,000</u>
<i>Stated Maturity</i>	<i>12/1/2014</i>	<i>12/1/2016</i>	<i>12/1/2018</i>	<i>12/1/2022</i>	<i>12/1/2027</i>

The remaining principal amount of the term bonds (\$160,000, \$175,000, \$190,000, \$460,000 and \$905,000) will mature at the stated maturity.

The term bonds maturing on August 1, 2022, 2025 and 2031 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue		
	\$3,340,000	\$2,055,000	\$5,155,000
2017	\$495,000	0	0
2018	515,000	0	0
2019	545,000	0	0
2020	570,000	0	0
2021	595,000	0	0
2023	0	650,000	0
2024	0	690,000	0
2026	0	0	750,000
2027	0	0	800,000
2028	0	0	835,000
2029	0	0	880,000
2030	0	0	920,000
Total	<u>\$2,720,000</u>	<u>\$1,340,000</u>	<u>\$4,185,000</u>
<i>Stated Maturity</i>	<i>8/1/2022</i>	<i>8/1/2025</i>	<i>8/1/2031</i>

The remaining principal amount of the term bonds (\$620,000, \$715,000 and \$970,000) will mature at the stated maturity.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Refunded Bonds On April 1, 2005, the City issued \$2,790,000 in general obligation refunding bonds with interest rates varying from 3.6 percent to 6 percent. Proceeds were used to refund \$2,665,000 of the 1993 general obligation bonds for city hall building improvements.

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1993 general obligation bonds. As a result \$2,790,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. The amount still outstanding at December 31, 2008 is \$2,035,000.

OPWC loans OPWC loans consist of money owed to the Ohio Public Works Commission for road improvements and for sanitary sewer improvements. The loans are interest free. OPWC loans will be paid from the road improvement capital projects fund.

ODOT Payable ODOT payable consists of money owed to the Ohio Department of Transportation for work done on the access modification to the baseball stadium and parking lot. The payable will be paid from the road improvement capital projects fund.

Capital Leases Capital lease obligations will be paid from the fund that maintains custody of the related assets. Capital leases will be paid from the general fund.

Compensated absences The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the general fund; the street construction, maintenance, and repair; the federal grants; and Taft center donation special revenue funds; the road improvement capital projects fund; and the sanitary sewer enterprise fund.

The City's overall legal debt margin was \$36,704,784 with an unvoted debt margin of \$8,962,152 at December 31, 2008.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2008, were as follows:

Year	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2009	\$790,000	\$1,337,118	\$0	\$0
2010	955,000	1,302,748	0	0
2011	975,000	1,266,100	0	0
2012	1,020,000	1,227,460	0	0
2013	650,000	656,332	425,000	529,454
2014-2018	2,430,000	1,817,101	3,510,000	3,315,726
2019-2023	0	0	6,240,000	3,652,555
2024-2028	0	0	7,130,000	1,820,339
2029-2031	0	0	2,770,000	294,775
Total	\$6,820,000	\$7,606,859	\$20,075,000	\$9,612,849

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Year	OPWC Loans	ODOT Payable
	Principal	Principal
2009	\$24,831	\$32,951
2010	24,834	32,951
2011	24,834	32,951
2012	24,834	32,951
2013	24,833	32,951
2014-2018	93,076	131,805
2019-2025	65,359	0
2024-2028	13,320	0
Total	<u>\$295,921</u>	<u>\$296,560</u>

Note 14 - Contingencies

Litigation

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

As to the *Ohio Department of Transportation vs. Eastlake Development Company* court case, the matter was settled. However, there was no agreed payment plan. Instead, the parties agreed to further negotiate and payment terms and ODOT agreed that there would be no execution against the City on the judgment unless a number of conditions which evidence the City's financial health occur. The City has not met those conditions and likely will not in the foreseeable future.

As to *Richard Fatur v. City of Eastlake, et al.*, Lake County Court of Common Pleas, Case No. 05 CV001922, the lawsuit remains in its infancy. A great number of the original claims and the number of years at issue has previously been reduced on the defendants' motion to dismiss. A motion to reconsider the refusal to accept jurisdiction by the Ohio Supreme Court is pending. The City has presented, and still has available, numerous arguments of law and fact.

Grants

For the period January 1, 2008, to December 31, 2008, the City received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 15 - Capital Leases - Lessee Disclosure

The City has entered into a capitalized lease for copiers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds.

	<u>Governmental Activities</u>
Copiers	\$29,388
Less: Accumulated Depreciation	(26,449)
Total	<u>\$2,939</u>

At December 31, 2008, the City owes \$2,269 in principal and \$28 in interest outstanding.

Note 16 - Jointly Governed Organization

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 112 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. The City did not contribute to NOPEC during 2008.

Note 17 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, and the City of Maple Heights, whose commencement date is October, 1, 1993. After the initial three years, each City may extend its term in three-year increments.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$100,000 per occurrence, will come from the self-insurance pool with any

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

excess paid from the stop-loss coverage carried by the pool. Any loss over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2008, the City of Eastlake paid \$100,626 in premiums from the general fund and special revenue funds, which represents 10.59 percent of total premiums. Financial information can be obtained by contacting the fiscal agent, Mark Cegelka, Finance Director at the City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio, 44146.

Note 18 - Related Organization

The Eastlake Port Authority was created under the Ohio Revised Code and conducts port development and operations. The Authority is governed by a seven member Board of Directors which consists of five members appointed by the Mayor and two appointed by City Council. The City's accountability does not extend beyond appointing board members.

City of Eastlake, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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Mary Taylor, CPA

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 Eastlake
Lake County
35150 Lakeshore Boulevard
Eastlake, Ohio 44095

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Eastlake, Lake County, (the City) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 7, 2010, wherein we noted in Note 3, the City restated the December 31, 2007 net assets of the governmental and business type activities due to an understatement of income tax receivable, capital lease payable, deferred charges and accumulated depreciation. We conducted our audits 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 audits, 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 7, 2010.

We intend this report solely for the information and use of management, the audit committee, and City Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 7, 2010



Mary Taylor, CPA
Auditor of State

CITY OF EASTLAKE

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2010**