



**Auditor of State  
Betty Montgomery**

**City of East Cleveland  
Cuyahoga County, Ohio**

**Fiscal Emergency Termination Analysis**

**Local Government Services Section**

**CITY OF EAST CLEVELAND  
CUYAHOGA COUNTY**

**FISCAL EMERGENCY TERMINATION**

**Table of Contents**

	PAGE
Certification .....	1
Report on Termination of the City of East Cleveland Financial Planning and Supervision Commission.....	2
Section 1 – Financial Accounting and Reporting System.....	3
Section 2 – Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions.....	16
Condition 1 – Default on Any Debt Obligation .....	16
Condition 2 – Payment of All Payroll.....	16
Condition 3 – Increase in Minimum Tax Levy.....	17
Condition 4 – Past Due Accounts Payable.....	17
Condition 5 – Deficit Fund Balances.....	19
Condition 6 – Treasury Balances .....	19
Section 3 – Financial Plan Objectives.....	22
Section 4 – Financial Forecast .....	25
Disclaimer.....	25
Appendix A – Financial Forecast.....	A-1

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**CERTIFICATION**

Pursuant to a request to the Auditor of State by the Financial Planning and Supervision Commission of the City of East Cleveland to terminate the Commission, the Auditor of State has determined that the City of East Cleveland has met the conditions set forth in Section 118.27(A)(1), (2), (3), and (4), Revised Code. Therefore, the existence of the East Cleveland Financial Planning and Supervision Commission and its role in the operation of the City of East Cleveland is terminated as of February 6, 2006.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Eric Brewer, Mayor of the City of East Cleveland; Gary Norton, President of Council; Jennette Bradley, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Thomas W. Johnson, Director of the Office of Budget and Management, and Frank Russo, Secretary of the Cuyahoga County Budget Commission.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Pursuant to Section 118.27(A)(2), Revised Code, the Auditor of State will monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years. The Auditor of State will also monitor the City on a monthly basis for any indication of activities or circumstances that endanger the City's financial stability and report those findings to City Council and the Mayor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

February 6, 2006

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### **Report on Termination of the East Cleveland Financial Planning and Supervision Commission**

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

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

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

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

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

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04, of the Ohio Revised Code. This analysis can be found beginning on page 16.

We have reviewed the objectives of the financial plan and determined that the City has met the objectives in accordance with section 118.06, of the Ohio Revised Code. Specific conclusions can be found on page 22.

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

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated. The City has not completed its implementation of an effective financial accounting and reporting system; therefore, the Auditor of State will monitor the progress to secure full implementation of the remaining items. The Auditor of State will also monitor the City on a monthly basis for any indication of activities or circumstances that endanger the City’s financial stability and report those findings to City Council and the Mayor.

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

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### **SECTION 1 – Financial Accounting and Reporting System**

When a City is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the City's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files and reports of the City of East Cleveland (City) and issued an Accounting Report, dated December 8, 1988. The report identified areas where the City's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission includes a determination by the Auditor of State whether an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination considers the confirmation of the actions taken by management to address the issues identified in the Financial Accounting Report. A summary of the actions taken by management to address the issues identified in the Financial Activity Report is presented below:

#### **Budgetary System**

##### Implemented:

- *The annual appropriation ordinance (18-88) established fund appropriations for six of the ninety-nine City funds and appropriated funds for the Helen Brown Senior Center. No fund by that name exists.*

The annual appropriation ordinance 188-04 for 2005 and 198-05 for 2006 included all funds.

- *Management has not requested to amend or supplement appropriations for the purpose of alleviating the negative balances in various line items. Management is of the opinion that as long as expenditures are within the total appropriated for each fund, no amendments are necessary.*

Prior to 2006, the City's legal level of budgetary control was at the department level for the general fund at the fund level for all other funds. For 2006, the City's legal level of budgetary control is at the major object level for all funds and the amount for salaries includes separate amounts for over-time, separation/termination payments and unemployment. Management requests Council's approval of supplemental appropriations when the current appropriations are not sufficient to cover anticipated expenditures or there has been a decrease in the anticipated expenditures and/or estimated resources.

- *The Certificate of Estimated Resources does not present unencumbered fund balances and estimated revenues for each fund. Various funds are reported with an aggregate amount for fund balances and estimated revenues (various capital project and special revenue funds).*

The Certificate of Estimated Resources now presents all funds on the City's books and the unencumbered fund balances and estimated revenues for each fund.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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- *The tax budget does not present the estimated revenues, expenditures, and fund balances for all individual funds. The tax budget for fiscal year 1988 included the general fund, street maintenance and repair fund, an aggregate for special revenue funds (individual funds not identified), special assessment fund, an aggregate for various trust and agency funds (individual funds not identified), and a permanent improvement reserve fund, which does not exist on the City's books.*

*The fund names and related budgetary data in the tax budget are not consistent with the City's financial reports which results in confusion in identifying what is the intended fund.*

On October 11, 2002 the Cuyahoga County Budget Commission with an affirmative vote of all members waived the requirement for taxing authorities to adopt a tax budget as provided under ORC Section 5705.281, but requires the filing of Alternative Tax Budget Information.

The Alternative Tax Budget for 2006 presents all funds of the City as of the date the tax budget is compiled. The budget included the beginning estimated unencumbered fund balance, total estimated receipts, total resources available for expenditures, total estimated expenditures and encumbrances, and the estimated ending unencumbered balance for each fund.

The fund names and numbers that appear in the tax budget and are consistent with the City's financial reports.

- *The Mayor's Estimate does not address all funds of the City, specifically the numerous inactive funds with both positive and negative cash balances. Because of changes in elected or appointed officials, knowledge of whether the remaining cash balance in inactive funds must be returned to a granting agency or if the money may be transferable to the general fund upon court order is not known.*

The Mayor's Estimate includes all funds. Any inactive funds for the year are addressed as to how they will be closed.

- *The Mayor's Estimate, the appropriation ordinance, and the accounting records exclude, for the individual departments, the amounts budgeted and expended for health care benefits, pension contributions and certain other related expenditures. The exclusion of these amounts can result in a material error in reporting the program expenditures in the financial statements. In addition, management cannot accurately assess the true cost of services provided at the department level.*

All health care benefits and pension contributions are budgeted and expended out of each individual employee's department.

- *The estimated revenue for the Water and Sewer Funds of \$5,792,563 and \$3,330,370, respectively, significantly exceeds the actual revenue for historical periods. Appropriations for these funds which are to be based on estimated resources are established at a level which may not be obtainable for the year, causing the funds to remain in a deficit position.*

The 2006 estimated revenue for the Water and Sewer Funds is \$4,400,000 each. The estimate is provided by the Director of the Water and Sewer Department and is included in the Water and Sewer budget presented to Council. The Director reviews the water and sewer rates and the water and sewer usage trends to determine the estimated revenue for the year.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### In the Process of Implementation:

- *Fund appropriations are adopted by Council in excess of estimated resources which can result in deficit fund balances.*

After comparison of the most recent amended certificate and the appropriation ordinance dated December 6, 2005, fund appropriations adopted by Council were in excess the estimated resources in some of the funds. An additional appropriation alignment was passed with ordinance No. 199-05 by Council at a special meeting on December 29, 2005 to make sure all appropriations are in line with the certified resources for the year-end. However, a small number of funds still had appropriations higher than certified estimated resources.

- *The Mayor's Estimate for 1989 excluded several items which are outlined in the City Charter. These items are:*
  1. *The increases and decreases of requests compared with the current year appropriations and explanation of the change.*
  2. *A separate schedule of items necessary for each department during the year and those items desirable.*
  3. *An itemization of all anticipated revenues from sources other than property taxes. Those not addressed are water and sewer service charges the Older American Title III B/C entitlements and the related local matching requirement.*
  4. *The outstanding balance of the City debt and a schedule of maturities.*
    - The Mayor's estimate includes a schedule for each department in the general fund with the prior year actual amounts and current year department requests. Explanations are also included. All other funds have a schedule with 2004 actual, 2005 appropriations and 2006 estimate with explanations.
    - A separate schedule of items requested by each department is included.
    - On the Mayor's estimate there is a breakdown of revenue for each fund by revenue source with some explanation. An itemized/detailed listing of anticipated revenues was included for 2006.
    - The City's only outstanding debt as of November 30, 2005 when the Mayor's estimate was presented to Council, were capital leases and OPWC loans. No schedules of maturity were included.

#### Not Implemented:

- *Annually, the City budgets for current operations and maintenance, capital acquisition and replacement, and debt retirement. Formal budgets for operations and maintenance on a long-term basis, and capital budgets for acquisitions and replacement of assets, are non-existent.*

The City has not adopted formal long-term budgets for operation and maintenance and capital acquisitions and replacement.



## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### **Financial Reports**

##### **Implemented:**

- *The City, since 1985, has been under the Administrative Rule requiring the annual financial report to be prepared in accordance with General Accepted Accounting Principles. To date, the City continues to file under a cash basis.*

Since 1993, the City has prepared and filed its annual financial report in accordance with General Accepted Accounting Principles (GAAP).

The City requested and received an extension to file its 2003 and 2004 financial reports due to the City implementing the new reporting model.

- *The City has established funds without consideration for statutory and contractual provisions or sound financial administration. For instance, the Water and Sewer Funds – two separate funds—have two additional funds relating to the accountability of revenues and expenditures which are not legal or essential for accountability.*

The City obtains authorization to establish new funds from the State Auditor's office, unless statute allows for its creation. Duplicate, illegal and unnecessary funds have been eliminated.

- *The City has a combined Police and Fire Pension Fund, which under state statutes is required to be accounted for in separate funds with a three-tenths mill levy for each fund. These property taxes are recorded in the general fund for police and fire pension payments.*

The police and fire pension funds are now reported as separate funds with the appropriate property taxes revenue and related expenditures shown in each fund.

- *The interim reports provided to various City department heads are a summary of month and year-to-date activity. Although the detail is available upon request, the receipt of summary data inhibits the departments' ability to readily review and determine the accuracy of the posted transactions.*

At months end, the finance director prepares a monthly report that is distributed among the department heads. The report is detailed by fund, program/activity and object. These reports compare the estimated revenue to actual revenue and the appropriations to expenditures plus encumbrances. If further detail is required it may be requested.

- *The interim financial reports generated at the end of each month are not produced on a timely basis. The City, based on reports provided to us in November (August 1988's) and our past experience with the City, is consistently one to five months behind, which makes the decision usefulness for the document questionable.*

December 2005's month end report was completed in the first week of January 2006. The City usually closes and prints financial reports within twelve days after the month ends.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### In the Process of Implementation:

- *In 1988, the new Finance Director required all outstanding obligations of the City to be encumbered. Consequently, the majority of the line-item appropriations have been exceeded by the sum of the related expenditures and encumbrances.*

During 2005, expenditures plus encumbrances were allowed to exceed the total department appropriations, which was the legal level of control. By year end this budgetary violation was corrected.

#### **Income Tax Administration – Revenue Transactions**

##### Implemented

- *The check drafted by the Financial Department to remit income tax collections to the Regional Income Tax Agency (RITA) is on the payroll clearance account.*

The City no longer has a payroll clearance account; payroll and all related expenditures are being paid out of the main checking account.

##### In the Process of Implementation:

- *The Income Tax Department maintains individual account balances for City-initiated payment plans; however, no balance is maintained of the aggregate due on these plans.*

All of the payment plans with the City are no longer handled by the City; they are handled through RITA.

#### **Utility Department – Revenue Transactions**

##### Implemented:

- *The City has been unable to eliminate deficit fund balances of both the Water and Sewer Funds. One possible reason for this situation is that revenues generated are insufficient to fund the operation due to the rate structure or collectability of accounts receivable. Another possibility exists that the City water lines have deteriorated, causing loss of water.*

The water fund has a positive cash balance at December 31, 2005. The deficit in the sewer fund was eliminated with the proceeds of the local government notes issued in December 2005. It has a positive cash balance at December 31, 2005. The City also passed Ordinance No. 01-01, which established the water and sewer rates for each year from 2001 through 2005. In addition, the Ordinance required any subsequent rate increases from the City of Cleveland and Northeast Ohio Sewer District to automatically be passed on to the customers of the City of East Cleveland. In 2005, the City increased the connection fees from \$10 to \$25 (per ordinance 51-05). The City also replaced all damaged fire hydrants in 2003 and has repaired all damaged waterlines.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### **Municipal Court**

##### **Implemented:**

- *The September 1988 Municipal Court Criminal Branch Report identifies that 141,242 parking tickets are outstanding. This balance increases at an approximate rate of ten thousand tickets per year. The dollar amounts of the tickets outstanding are \$5, \$8, \$10 or \$15. The total value of these outstanding tickets is not maintained, however the dollar amount can be calculated at between \$700,000 and \$2,000,000 based on the high and low ticket values multiplied by the tickets outstanding. Due to lack of staffing the court has not made any consistent attempt to collect these tickets.*

The Municipal Court no longer handles the collection of parking ticket fines. They are handled the Police/Parking Violation Department which is under the Police Department. The dollar amounts for the tickets are \$20, \$25 and \$250, after fifteen days they become \$40, \$45 and \$275, after thirty days the tickets are maxed out and become judgments at \$60, \$65 and \$300. The Police/Parking Violation Department uses an outside agency to track delinquent parking tickets.

The 575 parking tickets paid in 2005 totaled \$17,634. The number of delinquent tickets was 3,385 with a dollar value of \$72,556.

Once an individual receives three judgments, a “block” by the judge is sent to the Bureau of Motor Vehicles and that individual is not able to renew their license until their parking tickets have been paid. Due to lack of staffing, the police department has not issued many parking violations.

##### **In the Process of Implementation:**

- *In general, it appears that the court is distributing monies and processing transactions correctly. The court has in the past engaged a consultant to provide assistance in the reconciliation process of court records to the respective bank accounts and to provide training to the court staff.*

The Court maintains and reconciles the Civil, Criminal Court and Bail Bond bank accounts. These are supposed to be reconciled on a monthly basis.

However, the City just received the bank reconciliations for January through November 2005 for the Civil and Criminal bank accounts on January 3, 2006. There are several accounts where no reconciliations have been received as of this date, including the Bail Bond account, Landlord and Tenant, Trusteeship, Computer #1, Computer #2 and Special Projects accounts.

#### **Finance Department**

##### **Implemented:**

- *Based on inquiries and observations, the methods described to us regarding the receipt and summarization of revenues are followed as described by the City. However, the Finance Department can be more efficient by the elimination of the manual summary for pay-in orders. This summary is a duplication of the data provided by the edit report for each batch of pay-in-orders processed.*

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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The City no longer creates a manual summary for pay-in orders, rather, it relies on the reports available from the accounting software.

- *The current Finance Director has made an attempt to observe the cash collection procedures at a majority of collection sites throughout the City. In the past, it has been a practice of the Finance Office to observe and verify this activity and ensure the amounts collected per department agree with the Finance Department's accounting records.*

The City no longer considers it necessary to observe cash collection procedures followed at the various collection sites of the City. When cash is received, the department receipts it into a receipt book. At the end of the day, a tally sheet is taken to the finance department by the department head, where the pay-in clerk counts the cash in front of the department head and issues a pay-in-order.

### **Purchasing Process**

#### **Implemented:**

- *To reflect obligations incurred in past years that were not recorded the Finance Director has encumbered a sizeable amount of these obligations against the current year's appropriations. The effect of this action is that many of the budgetary line items reflect a negative balance limiting the decision-making usefulness of the report. In general, any purchase request is approved regardless of available appropriations or anticipated resources to pay the obligation.*

The purchasing director verifies that sufficient appropriations are available and prepares the purchase order. Sufficient cash to cover the purchase does not have to be in the fund at the time the purchase order is prepared. The Finance Director certifies that the amount required has been lawfully appropriated and is in the Treasury or in process of collection to the credit of the required fund, free from any obligation or certification now outstanding.

- *The Purchasing Agent has indicated that there are no formal receiving procedures. Consequently, there is no assurance that goods received conform to what was requested or that they were actually received.*

When an item is received, the department head will check the items received against the packing slip and the purchase order to ensure that everything was received. The payables clerk then compares the packing slip, purchase order and invoice to ensure that the items billed were received.

- *Although a purchase order is necessary in order for payment to take place, it appears that obligations are still being incurred prior to obtaining a purchase order. A review of paid vouchers indicated several transactions in which the item had been received at the time the requisition was prepared. This weakness has been somewhat mitigated by the current Finance Director's policy of refusing to pay for goods invoiced without a purchase order.*

For obligations incurred without a purchase order and less than \$3,000, the Finance Director will prepare a then and now certificate after verifying that the purchase is a valid obligation of the City. For obligations incurred without a purchase order and greater than \$3,000, the Finance Director will request authorization to pay the obligation by Council Resolution.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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- *The forms used in the purchasing process are not properly signed and certified. The purchase requisition, which is a single page document, serves as the primary form substantiating the request, and is intended to include the Purchasing Agent's review, and the Mayor and Finance Director's authorization and approvals. The computer generated purchase order contains the Mayor and Finance Director's printed names and a rubber stamp of the Purchasing Agent's signature. Neither document has the statutory certification of availability of funds and appropriations.*

The forms now contain the proper signatures and certification.

### **Accounts Payable and Cash Disbursements**

#### **Implemented:**

- *A large amount of old accounts payable currently exists.*
- *The City is working on substantiating whether certain accounts payable are valid but has encountered difficulties in obtaining information from certain creditors identifying the detail of the balance due.*

The City has settled all the accounts that were past due. Whenever an invoice is received by a department, it is brought down to the finance department where it is paid either on the first or fifteen of the month.

### **Contracts**

#### **Implemented:**

- *At least one copy of the completed contract is maintained by the purchasing agent. In our review, we noted several copies of contracts circulating throughout the City that did not contain the necessary signatures.*

Several contracts were reviewed, all of which included the appropriate signatures.

### **Payroll Process**

#### **Implemented:**

- *There appears to be a great deal of duplication in that the payroll clerk calculates payroll manually before entry into the system. The time-card information could easily be entered into the system without this manual step.*

The only City employees that use a time card are the police and fire employees and the department heads. The time cards are brought to the payroll clerk, where the information is entered into the payroll system (ADP). All other City employee hours are tracked in the payroll system with a swipe card.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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- *A lack of control appears to exist over overtime usage. While overtime is at times unavoidable and necessary, a lack of planning appears to have taken place in 1988. The amount appropriated for overtime was exceeded in the first half of the year.*

Based on inquiries, employees do not usually work overtime expect for police and fire. Other City employees need approval from the Mayor to work overtime which is at the request of the department head.

- *A control weakness exists in that the payroll clerk is responsible for making pay rate adjustment changes as well as the processing of payroll. This weakness would enable the clerk to perpetrate errors and irregularities that would not be readily detected by any other employee in the performance of their normal job duties.*

The Human resources department inputs the rate changes and they are reviewed by the employee's department head. The payroll clerk no longer does this data entry.

- *There is no information on the time card allocating employee work by function. For example, one person's job duties in a pay period may be chargeable to several different funds or cost centers, particularly for service personnel.*

If an employee works for two different departments it is setup in the payroll system to automatically split the hours each pay period. If the hours are not consistent from week to week, the department head will notify the payroll clerk and the hours will be allocated manually.

- *There are several individuals performing key functions in the City that are retained through service contracts. These individuals perform functions that are under the direct control of the City and as such may be more appropriately classified as employees. In at least one instance, a regular employee of the City also has a personal service contract with the City. Improper procedures adopted in this area create the potential for future claims against the City.*

The City has no personal service contracts with City employees.

#### In the Process of Implementation:

- *There appears to be a lack of control at the Finance Department level over leave time. Without monitoring the usage, there is no assurance that individuals are not being granted excessive leave time.*

Leave time is accrued throughout the year. The department heads keep the record of the employee leave time. Human resources is in the process of established a better system to keep track of leave time. Department heads and the employees know how much leave time an employee has but for employees that have been there for twenty plus years they are uncertain how much leave time is owed to them.

- *In reviewing the payroll account reconciliation, it was noted that the payroll clearance account was not being reconciled monthly. The lack of timely reconciliations enables errors to be made that are not quickly corrected.*

The City no longer has the payroll clearance account. Payroll is paid out of the main checking account.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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The bank reconciliation for December, 2005, was completed January 17, 2006. The November bank reconciliation was completed on January 4, 2006. The Finance Director left office in October and was not replaced until the beginning of 2006. During that time period, the Assistant Finance Director assumed the duties of the Finance Director, which is why the bank reconciliations were behind.

#### **Grants and Entitlement Programs**

##### **Implemented:**

- *Similar grants are accounted for within the same fund and the account code structure does not provide for the segregation of programs, revenues and expenditures, grant periods and the individual cash balance relating to each. The City, by not providing or maintaining separate accountability, has increased the potential for questioned costs and the subsequent loss of grant funds or repayment of such funds to the granting agency.*

The City now creates a special fund to account for the proceeds of each grant program.

- *The commingling of similar grant programs in the same fund does not allow management to easily control and monitor programs, because deficits of prior grant periods and programs are covered. It is not known if final reports have been filed and reimbursements received.*

The City no longer co-mingles similar grant programs in the same fund. Each grant program has its own fund.

- *Several grant funds have negative fund balances. The negative fund balances are the result of expenditures made prior to reimbursement as required by the grant agreement, or the failure of the City to provide matching funds, or errors in accounting for the grant activity.*

Council approves all matching funds by ordinance. Upon review of the current cash position report, all grant funds had positive year end cash balances as of December 31, 2005.

The Finance Director does not have a file of current grants outstanding to show what is coming in and the status of those grants. That responsibility has been left with the individual department heads who manage the grant process.

- *Matching funds required by certain grant and entitlement programs are not addressed in the budgetary process.*

Matching funds are addressed and included in both the Mayor's estimate and the City's appropriation resolution.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### **Debt Administration**

##### **Implemented:**

- *In the past several years, the City has not issued any new debt except for the annual renewal of bond anticipation notes for an urban renewal project completed approximately 20 years ago. For this reason, we have not reviewed the legality of the outstanding issues.*

The City's only outstanding debt as of January 10, 2006 consists of OPWC loans, capital leases, police and fire pension liability, and local government notes. All items are properly documented and accounted for in the appropriate funds.

- *The revenues from property taxes and special assessments, restricted for debt service requirements, are not segregated in the treasury from other City funds. The revenues and the related debt service expenditures are not accounted for in the debt service fund. Although segregation is not necessary or routinely recommended, these resources are being used to meet the obligations of other City funds which increases the risk of default. The only compensating factor is the Finance Director places a high priority on debt payments and monitors cash flow to insure payments.*

The debt service fund which was used to retire general obligation and special assessment bonds has a balance of \$12,000 which is no longer needed to pay general obligation and special assessment bonds. The balance will be used to retire other City debt.

The OWPC loans for enterprise projects are paid out of the water and sewer funds. OPWC loans for road improvements are paid from the general fund and the street special revenue fund.

Capital leases are paid from the permanent improvement fund.

Police and fire pension liabilities are paid from the police and fire pension funds.

On December 6, 2005 the City approved the issuance of Local Government Fund notes to eliminate deficit fund balances for four major funds.

- *The City has entered into various lease agreements for office equipment, police cruisers, City vehicles, and other equipment used to provide City services. These leases may be classified as capital leases and, if so, should be reported as part of the City's outstanding debt.*

The City has classified their leases as capital leases. The leases consist of vehicles, machinery and office equipment. All capital lease agreements are accounted for and reported as outstanding debt.



## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### Capital Assets

##### Implemented

- *The absence of a fixed asset inventory in the City presents the following problems:*

*By not having specific identification of the fixed assets, there is no assurance that assets are being used in the most efficient manner. It is possible that assets ordered and purchased by one department are sitting idle in another department.*

*By not maintaining a fixed asset inventory, the risk of theft is increased.*

*The lack of a fixed asset inventory makes it difficult to adequately assess the amount of coverage necessary to insure against losses.*

The purchasing director handles the capital assets inventory. The City uses a capital asset program, Maximus, to track all of its capital assets. The program also computes the depreciation for each asset at year's end. Maximus also has the capability to produce detailed and summary reports of capital assets and depreciation. 2004 is the latest year that is up to date in the program. Items purchased or sold in 2005 are yet to be entered.

- *Certain fixed assets owned by the City, not in use, could possibly be sold to generate additional revenue. Without an inventory, no systematic determination can be made of the amount that could be realized from the sale of unneeded assets.*

At the end 2004, five vehicles had been sold for a total of \$53,000.

#### Electronic Data Processing

##### Implemented:

- *The data processing function in the City is being performed by individuals who are not employees of the City. These individuals have exclusive knowledge of the system. No documentation apparently exists of the various programs created by these individuals. Even if such documentation existed, currently no City employees could assume the data processing function in their absence. The lack of knowledge of the system programs causes the City to rely entirely on the consultants for the operation of their system.*

The City uses the Sanderson CMI, Inc. accounting software for their data processing. The entering of the data is performed by the City employees who do have extensive knowledge of the system for their own duties.

- *In 1986, the City purchased, at substantial cost, a governmental accounting software package for use in the Finance Department. The package was implemented while maintaining the manual system. The City spent significant time and cost to get the system up and running. Although the package was brought on line, the City was unable to work out problems with the system. Eventually the system was discarded and the City returned to keeping records manually.*

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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The City no longer uses a manual system; the City uses Sanderson CMI, Inc. accounting software.

#### Treasury Activities

##### Implemented:

- *The petty cash fund maintained as a reconciling item by the Finance Department does not represent cash assets. The balance in the petty cash fund represents amounts due to the City by City personnel as a result of the procedures followed for the issuance of travel advances. Required credit adjustments recommended in prior audit reports have not been made, and as a result the amount maintained on the City records cannot be substantiated.*

The department head that is in charge of petty cash brings receipts to the Finance Director. The Finance Director reviews purchases made with petty cash to ensure that all expenses are appropriate and replenishes the petty cash fund to its original amount for that department.

- *The process by which bank accounts are reconciled to fund balances and the ability to decipher the reconciliation is only understood by the chief accountant*

The bank reconciliation has been put in a format that is easily understood.

##### In the Process of Implementation:

- *A sizeable adjustment amount is currently carried as an adjustment for the various bank accounts, and follow-up procedures are not routine. The treasury supervisor indicated that due to prior audit citations, these amounts are being reviewed and a portion will inevitably be written off.*

*A large adjustment amount is also being carried on the reconciliation of the bank accounts for "travel advances" to City employees.*

In 2006, a new Finance Director has taken office and he has stated that all adjustments will be cleared and no adjustments will be carried forward month to month.

The City no longer has travel advances on the reconciliation.

Conclusion: In order to insure the ultimate implementation of an effective financial accounting and reporting system, the Auditor of State's Office will monitor the progress of implementation for the items identified as not having been implemented or still in progress.

**City of East Cleveland, Cuyahoga County**

Fiscal Emergency Termination Analysis

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

**Condition One – Default on Any Debt Obligation**

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

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

A summary of the City’s outstanding debt is as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>
Local Government Notes	4.19%	2005	\$2,913,600
Backhoe Lease	4.12%	2005	58,197
Vehicle Lease	0.67%	2003	869,118
Police Pension Underpayment	5.00%	1989	24,922
Police Pension	2.13%	1968	996,866
Fire Pension	1.77%	1968	847,352
OPWC Rehabilitation Project	0.00%	2003	105,946
OPWC Water Main Phase I	0.00%	1994	393,740
OPWC Water Main Phase II	0.00%	1997	395,622
OPWC Coventry Road Improvement	0.00%	1999	231,644
OPWC Forest Hills	0.00%	1999	25,442

We reviewed the outstanding indebtedness of the City as of December 31, 2005. The City has \$6,862,449 in outstanding debt at December 31, 2005 and has made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(1) of the Ohio Revised Code, as of December 31, 2005. The City has not defaulted on any debt obligations.

**Condition Two – Payment of All Payroll**

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

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

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

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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We obtained the City's payroll registers and payroll ordinances to identify gross salary amounts, deductions, and net payments made to the employees of the City. The payroll registers were analyzed to verify payroll payments. We also obtained bank statements to verify that checks cleared the bank.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(2) of the Ohio Revised Code as of December 31, 2005. All employees have been paid in amounts and at the times required by ordinance.

#### **Condition Three – Increase in Minimum Tax Levy**

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

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

We confirmed with the Cuyahoga County Auditor, Chairman of the County Budget Commission, whether there had been an increase, pursuant to division (D) of section 5705.31 of the Ohio Revised Code, in the minimum levy of the City of East Cleveland for the year which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Cuyahoga County Auditor indicated that no action had been taken by the Cuyahoga County Budget Commission to increase the inside millage of the City and, therefore, no other subdivision's millage was reduced for 2004 or 2005.

Conclusion: A fiscal emergency condition does not exist under section 118.03(A)(3), Ohio Revised Code as of December 31, 2005.

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

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

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

We prepared a schedule of accounts payable as of December 31, 2005, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2005, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental

**City of East Cleveland, Cuyahoga County**

Fiscal Emergency Termination Analysis

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entities including any interest and penalties. From this amount, we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

Schedule I

General Fund Accounts Payable Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2005

	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
General Fund	\$4,859	\$617,626	\$612,767

From the invoices provided to us, a schedule of accounts payable was prepared (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2005. From this amount we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2005, excluding non-recurring receipts of the general fund and of all special funds from which such accounts are lawfully payable.

Schedule II

Accounts Payable From All Funds Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2005

	Payables Over 30 Days Past Due	Fund Balance Available	Balance Available In Excess of Payables
General Fund	\$4,859	\$617,626	\$612,767

Conclusion: Schedules I and II indicate that as of December 31, 2005, a fiscal emergency condition does not exist under section 118.03(A)(4) of the Ohio Revised Code. The general fund accounts payable which were at least thirty days past-due at the end of the year did not exceed the general fund balance and the accounts payable which were over thirty days past-due from all funds, less the year-end balance in the general fund and the respective special funds did not exceed their available balances.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### **Condition Five – Deficit Fund Balances**

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

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

We computed the fund balance of each deficit fund as of December 31, 2005, by subtracting all accounts payable and encumbrances from the year-end cash balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts of those deficit funds.

As of December 31, 2005, the Community Development, Special Purpose Grant 33 and the Home Program were the only funds that had a deficit balance. These deficits were caused by the requirement that the entire amount of approved grant projects be encumbered at the time of their approval. At year end, the deficit balances in these funds are offset by grant dollars to be received in 2006. These deficits are not indicative of a financial problem. Rather, they represent grant requirements which are more stringent than State statute. These funds have therefore been excluded from the deficit fund balance calculation.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Ohio Revised Code. The negative balances in the Community Development, Special Purpose Grant 33, and the Home Program funds represent encumbrances for approved projects for which the U.S. Department of Housing and Urban Development approved CDBG grant funding but for which the City has not yet received the grant dollars.

#### **Condition Six – Treasury Balances**

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

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

We verified the City's reconciled bank balances to its fund cash balances as of December 31, 2005. We then subtracted the adjusted aggregate sum of positive cash fund balances of the general and special funds as of December 31, 2005, to determine if there was a treasury deficiency.

# City of East Cleveland, Cuyahoga County

## Fiscal Emergency Termination Analysis

Schedule III

Treasury Balance  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2005

	Amounts at December 31, 2005
	2005
<b>Bank Cash Balances:</b>	
KeyBank Water Department General Account	\$2,219
KeyBank Mutual Bank Investment Sweep	302,293
KeyBank Bond Retirement	19,635
StarOhio	14,675
StarOhio	744,057
US Bank Investment Account	159,124
US Bank Water	17,944
US Bank CD	165,496
KeyBank CDBG	3
MCD Victory Fund	2,913,600
Total Bank Balances	4,339,046
Add Deposits in Transit	231,822
Add Other Adjustments	38,536
Less Outstanding Checks	(1,213,551)
Total Treasury Balance	3,395,853
<b>Less: Total Positive Cash Balances</b>	
General	1,025,350
Street	228,255
Police Pension	18,970
Fire Pension	37,812
Parks and Recreation	693
Older Americans	2,915
Police Department	137
Norfolk Southern Award	26,289
CSX Award	14,507
Firststar CSX Program	151,674
FEMA Grant	69,381
Special Enforcement Unit	1,117
Wall of Fame	1,012
Homeland Security	2,840
Courts Community Service	5,520
Special Projects Court	17,683
Alcohol and Drug Treatment	1,147
SPG 507	145,571
Demo Emp Opportunities Program	1,669
Domestic Violence	1,316
Dare Grant	10,430
Engineering and Building Department	4,509
Summer Day Camp	1,556
Voca	13,822
Strategic Master Plan	21,987
C.O.P.S. Universal	759
Local Law Enforcement	117,291

**City of East Cleveland, Cuyahoga County**

Fiscal Emergency Termination Analysis

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Schedule III

Treasury Balance

Ohio Revised Code Section 118.03(A)(6)

As of December 31, 2005 (continued)

	Amounts at December 31, 2005
Local Law Enforcement	\$117,291
STEP Project	25,883
Block Grant 97	12,205
Home Program	39,311
Bond Retirement	12,121
Loan Repayment	101
Permanent Improvement	66,184
H.S.B. Renovations	2,320
Capital Improvements	56,960
Transfer Station	550,342
Water	34,720
Water Capital	42,029
Sewer Assessments	5,859
Sewer Capital Improvements	239,422
Title 7	9,901
Consumer Deposits	374,284
	<hr/>
Total Positive Cash Balances	3,395,853
	<hr/>
Treasury Deficiency	\$0
	<hr/> <hr/>

Conclusion: Schedule III indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2005. The treasury balance equaled the sum of the cash; therefore, no treasury deficiency existed as of December 31, 2005.



## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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#### **SECTION 3 – Financial Plan Objectives**

In order to be removed from fiscal emergency, the City must have met the objectives of the financial plan as outlined in Section 118.06 of the Revised Code. These objectives are:

- 1) Eliminate all fiscal emergency conditions;
- 2) Satisfy any judgments, past due accounts payable, and all past due and payable payroll and fringe benefits;
- 3) Eliminate the deficits in all deficit funds;
- 4) Restore to construction and other special funds moneys from such funds that were used for purposes not within the purposes of such funds;
- 5) Balance the budgets, avoid future deficits, and maintain current payments of payroll, fringe benefits and all accounts;
- 6) Avoid any fiscal emergency condition in the future;
- 7) Restore the ability of the City to market long-term obligations.

The Auditor of State's Office has reviewed the current financial status and operations of the City and has made the following determinations:

- 1) As set forth in section two of this report, all fiscal emergency conditions have been eliminated;
- 2) Section 2, Condition 4 identifies outstanding payables for the general fund and all funds. The City has no outstanding payables.
- 3) Section 2, Condition 5 indicates that all funds have a positive balance. There are no deficit funds.
- 4) All interfund payables that arose because cash was used for purposes not intended have been satisfied.
- 5) The financial forecast demonstrates the ability to avoid future deficits, and to maintain current payment of payroll, fringe benefits, and accounts payable and maintain balanced budgets.
- 6) The financial forecast also demonstrates the ability to avoid future fiscal emergency conditions.
- 7) On December 28, 2005, the City issued \$2,913,600 in local government notes, which mature on December 1, 2013.

The City's financial plan identified specific actions to be taken by the City to achieve these objectives. The Auditor of State's Office also reviewed the status of each specific action identified in the plan.

- 1) Increase the monthly refuse collection fee from \$6 to \$14.
  - Implemented. The City passed Ordinance No. 52-05 on April 19, 2005.
- 2) Put a levy on the November, 2005 ballot to increase the City income tax .60 percent and continue to place the levy on the ballot until it passes.
  - Implemented. The City passed Ordinance No. 127-05 on August 16, 2005.
- 3) Increase connection fee for water/sewer from \$10 to \$25.
  - Implemented. The City passed Ordinance No. 51-05 on April 19, 2005.
- 4) Increase the fire inspection fees from \$25 to \$35.
  - Not Implemented. Council tabled the Ordinances relating to increasing the fire inspection fees. They have instructed the Fire Chief to meet with the Law Director to draft the legislation wording to increase the fees. The City has also received sample legislation from various Cities regarding inspection fees.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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- 5) Establish a fee schedule for use of the Civic Center.
  - Implemented. The City passed Ordinance No. 16-04 on February 3, 2004.
- 6) Delinquencies:
  - a) Process delinquent income taxes through the East Cleveland Municipal Court.
    - Implemented. The City began processing “failure to file” cases through the East Cleveland Municipal Court starting on May 25, 2005. After appearing before the Judge, the defendant has 30 days to file or comply with the Judge’s ruling. The Judge can assess a fee of \$100 for each year the defendant fails to file, half of which can be suspended. The Income Tax Department is in the process of establishing the liabilities and arranging the 24-month payment schedules for the May and June cases.
  - b) The Mayor will prepare a list of properties that the City wants the County to foreclosure on and the County Prosecutor will concentrate on those properties.
    - Implemented. The City submitted a list of properties for foreclosure to the County Prosecutor’s Office on August 22, 2005.
  - c) All delinquent water, sewer and refuse that are determined to be uncollectible accounts will be written off. All remaining accounts over 90 days old will be certified to the County Auditor.
    - In process of implementation. The Commissioner of Water at the City indicated the amount of uncollectible accounts in a memo dated July 26, 2005 to the Finance Director.
  - d) The City should write and implement procedures to write off bad expenses.
    - Not Implemented. The City is in the process of writing and implementing write-off procedures.
- 7) Sell vacant land that the City owns but does not use.
  - In process of implementation. A list of vacant land banks has been prepared and reviewed.
- 8) Establish a fee schedule for use of the Helen S. Brown Senior Center.
  - Implemented. The City passed Ordinance No. 24-05 on March 2, 2005.
- 9) Place a ceiling on legal fees for all attorneys.
  - Not implemented.
- 10) Prepare a plan to replace the \$80,000 transfer to the Older Americans special revenue fund from the general fund with donations, grants or other income and then implement the plan.
  - Implemented. The City will raise additional monies with the increased revenues from fees for use of the Helen S. Brown Senior Center per Ordinance No. 24-05.
- 11) Eliminate all out of state travel for departments that are financed through the general fund for as long as the City remains in fiscal emergency.
  - Implemented.
- 12) For 2005, maintain staffing levels that are equal to or below 250 employees.
  - Implemented. As of November, 2005, the number of employees was at 238.
- 13) Look to switch health care providers to a lower cost provider and maintain comparable coverage.
  - Implemented. The City received quotes from various health care providers to compare to the current providers.
- 14) Eliminate fund balances by issuing local government notes.
  - Implemented. The Commission passed Ordinance No. 2005-04 and issued the notes on December 28, 2005.

## City of East Cleveland, Cuyahoga County

### Fiscal Emergency Termination Analysis

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- 15) Maintain water and sewer systems by:
  - a) initiating and maintaining a meter change program.
    - Not implemented. The City's Water Department is not moving on this at this time since they are not generating enough revenue to initiate a meter change program.
  - b) continuing to pass rate increases from the City of Cleveland's and Cleveland Heights on to the residents.
    - Implemented. The City passed Ordinances 08-00 and 01-01 on February 29, 2000 and January 30, 2001, respectively.
  - c) continuing to set aside \$1 each from water and sewer charges to be used for water and sewer capital improvements.
    - Implemented. The City has always done this.
  - d) preparing a maintenance schedule for large capital improvements.
    - Not Implemented.
  - e) applying for grants and loans to fund capital improvements.
    - Implemented. The City has applied for and received OPWC monies to fund capital improvements.
  - f) increasing hydrant fees from \$25 to \$90.
    - Implemented. The Water/Sewer Department established new water fees. No ordinance was needed since this is an administrative change.
- 16) Develop a fee schedule to deal with extraordinary work related to construction projects that involve the water department:
  - a) impose fees for taps on new water lines.
    - Implemented. The Water/Sewer Department established new water fees. No ordinance was needed since this is an administrative change.
  - b) continue to plug existing lines that are being abandoned.
    - Not implemented.
- 17) Determine advantages and disadvantages of entering a direct service agreement with the City of Cleveland and eliminating the water and sewer departments.
  - In the process of implementation. The Water Commissioner and the City of Cleveland continue to weigh the benefits of entering into this agreement.
- 18) Obtain an actuarial study to determine the reserves necessary for self insurance, and obtain estimates from various insurance companies for fleet, property, and liability insurance.
  - In the process of implementation. The City has received estimates for an actuarial study.
- 19) Negotiating team for the City will review performance report as it relates to labor contracts
  - Not implemented.

# City of East Cleveland, Cuyahoga County

## Fiscal Emergency Termination Analysis

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### **SECTION 4 – Financial Forecast**

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

#### Disclaimer

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

**City of East Cleveland, Cuyahoga County**

Fiscal Emergency Termination Analysis

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Appendix A

**City of East Cleveland  
Cuyahoga County, Ohio**

**Financial Forecast  
For the Years Ending December 31, 2006 through 2010**

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City of East Cleveland  
Financial Forecast

Table of Contents

Auditor of State’s Report .....A – 5

Forecasted Statements of Revenue, Expenditures, and Changes in Fund Balances – Cash Basis:

    General Fund .....A – 6

    Street Fund .....A – 16

    Older Americans Fund .....A – 18

    Community Development Block Grant Fund.....A – 20

    Water Fund .....A – 22

    Sewer Fund.....A – 24

Summary of Significant Accounting Policies and Forecast Assumptions .....A – 26



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**Auditor of State  
Betty Montgomery**

Members of Council  
City of East Cleveland  
East Cleveland, Ohio

Based upon the requirement set forth in Section 118.27 (A)(4) of the Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures and changes in fund balances for those funds identified in Note 2 – Nature of Presentation which encompass the five years ending December 31, 2010. These statements are presented on the cash basis of accounting used by the City of East Cleveland rather than on generally accepted accounting principles. The City of East Cleveland's management is responsible for the forecast. Our responsibility is to determine whether the City has met the criteria that allows for the fiscal emergency to be terminated.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 10, 2006

**City of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
General Fund

	2003 Actual	2004 Actual	2005 Actual
<b>Revenues</b>			
Property Taxes	\$1,662,000	\$1,830,000	\$1,889,000
Municipal Income Taxes	7,884,000	7,012,000	6,966,000
Charges for Services	564,000	524,000	919,000
Municipal Court	800,000	689,000	382,000
Licenses and Permits	345,000	559,000	291,000
Intergovernmental Revenue	4,047,000	4,153,000	4,120,000
Special Assessment	341,000	250,000	381,000
Interest	24,000	25,000	36,000
Miscellaneous	109,000	525,000	620,000
<b>Total Revenues</b>	<b>15,776,000</b>	<b>15,567,000</b>	<b>15,604,000</b>
<b>Expenditures</b>			
<b>Mayor's Office</b>			
Personal Services	120,000	142,000	111,000
Fringe Benefits	31,000	56,000	50,000
Contractual Services	15,000	4,000	8,000
Materials and Supplies	6,000	2,000	3,000
Capital Outlay	0	0	2,000
<b>Total Mayor's Office</b>	<b>172,000</b>	<b>204,000</b>	<b>174,000</b>
<b>Council</b>			
Personal Services	79,000	112,000	108,000
Fringe Benefits	28,000	44,000	52,000
Contractual Services	38,000	23,000	4,000
Materials and Supplies	9,000	4,000	3,000
Home Expense Account Councilors	11,000	8,000	8,000
Capital Outlay	1,000	2,000	0
<b>Total Council</b>	<b>166,000</b>	<b>193,000</b>	<b>175,000</b>
<b>Finance</b>			
Personal Services	236,000	177,000	184,000
Fringe Benefits	81,000	77,000	82,000
Contractual Services	106,000	77,000	75,000
Materials and Supplies	10,000	5,000	8,000
Miscellaneous	1,000	18,000	(27,000)
Capital Outlay	4,000	2,000	2,000
<b>Total Finance</b>	<b>438,000</b>	<b>356,000</b>	<b>324,000</b>
<b>Law Director</b>			
Personal Services	277,000	200,000	175,000
Fringe Benefits	0	79,000	72,000
Contractual Services	38,000	9,000	17,000
Materials and Supplies	8,000	5,000	3,000
Capital Outlay	0	3,000	0
<b>Total Law Director</b>	<b>323,000</b>	<b>296,000</b>	<b>267,000</b>
<b>Court</b>			
Personal Services	773,000	734,000	626,000
Fringe Benefits	243,000	272,000	255,000
Contractual Services	153,000	134,000	104,000
Materials and Supplies	39,000	36,000	35,000
Capital Outlay	49,000	10,000	13,000
Miscellaneous	32,000	25,000	16,000
<b>Total Courts</b>	<b>\$1,289,000</b>	<b>\$1,211,000</b>	<b>\$1,049,000</b>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$1,889,000	\$1,939,000	\$1,973,000	\$1,857,000	\$1,857,000
7,000,000	7,005,000	7,005,000	7,005,000	7,005,000
1,128,000	1,150,000	1,150,000	1,150,000	1,150,000
525,000	700,000	750,000	800,000	850,000
300,000	300,000	300,000	300,000	300,000
3,683,000	3,686,000	3,702,000	3,717,000	3,732,000
381,000	381,000	381,000	381,000	381,000
19,000	21,000	25,000	25,000	25,000
300,000	300,000	300,000	300,000	300,000
15,225,000	15,482,000	15,586,000	15,535,000	15,600,000
110,000	111,000	127,000	129,000	131,000
32,000	22,000	35,000	36,000	38,000
27,000	29,000	29,000	29,000	29,000
7,000	7,000	7,000	7,000	7,000
1,000	1,000	1,000	1,000	1,000
177,000	170,000	199,000	202,000	206,000
101,000	102,000	104,000	105,000	107,000
50,000	42,000	46,000	49,000	53,000
4,000	38,000	38,000	38,000	38,000
7,000	12,000	10,000	11,000	11,000
27,000	24,000	24,000	24,000	24,000
1,000	1,000	1,000	1,000	1,000
190,000	219,000	223,000	228,000	234,000
191,000	221,000	225,000	230,000	244,000
106,000	78,000	84,000	89,000	97,000
45,000	86,000	86,000	86,000	86,000
10,000	8,000	8,000	8,000	8,000
0	1,000	1,000	1,000	1,000
3,000	0	0	0	0
355,000	394,000	404,000	414,000	436,000
177,000	214,000	219,000	223,000	227,000
77,000	84,000	90,000	98,000	106,000
36,000	37,000	37,000	37,000	37,000
3,000	4,000	4,000	4,000	4,000
0	0	0	0	0
293,000	339,000	350,000	362,000	374,000
630,000	596,000	607,000	619,000	630,000
126,000	217,000	235,000	249,000	268,000
50,000	50,000	175,000	175,000	175,000
35,000	50,000	50,000	50,000	50,000
9,000	9,000	11,000	12,000	12,000
0	0	0	0	0
\$850,000	\$922,000	\$1,078,000	\$1,105,000	\$1,135,000

(continued)

**City of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
General Fund (continued)

	2003 Actual	2004 Actual	2005 Actual
Community Work Service			
Personal Services	\$10,000	\$6,000	\$11,000
Fringe Benefits	0	0	0
Contractual Services	1,000	0	0
Materials and Supplies	0	0	0
Capital Outlay	0	1,000	0
Total Community Work Service	<u>11,000</u>	<u>7,000</u>	<u>11,000</u>
Lands and Buildings			
Personal Services	85,000	66,000	52,000
Fringe Benefits	14,000	24,000	26,000
Contractual Services	7,000	9,000	4,000
Materials and Supplies	21,000	9,000	12,000
Capital Outlay	0	0	0
Total Lands and Buildings	<u>127,000</u>	<u>108,000</u>	<u>94,000</u>
Income Tax			
Personal Services	113,000	120,000	84,000
Fringe Benefits	45,000	45,000	35,000
Contractual Services	607,000	574,000	390,000
Materials and Supplies	2,000	2,000	2,000
Total Income Tax	<u>767,000</u>	<u>741,000</u>	<u>511,000</u>
Civil Service Commission			
Personal Services	9,000	9,000	8,000
Fringe Benefits	0	1,000	1,000
Contractual Services	0	5,000	2,000
Materials and Supplies	0	0	0
Total Civil Service Commission	<u>9,000</u>	<u>15,000</u>	<u>11,000</u>
IT Department/EDP			
Personal Services	83,000	62,000	68,000
Fringe Benefits	22,000	18,000	21,000
Contractual Services	11,000	20,000	36,000
Materials and Supplies	4,000	0	1,000
Total IT Department	<u>120,000</u>	<u>100,000</u>	<u>126,000</u>
Human Resources Department			
Personal Services	121,000	115,000	82,000
Fringe Benefits	53,000	37,000	34,000
Contractual Services	4,000	5,000	28,000
Materials and Supplies	2,000	1,000	1,000
Total Human Resources Department	<u>180,000</u>	<u>158,000</u>	<u>145,000</u>
Engineering and Buildings			
Personal Services	168,000	122,000	146,000
Fringe Benefits	52,000	40,000	38,000
Contractual Services	23,000	39,000	19,000
Materials and Supplies	3,000	2,000	0
Miscellaneous	0	0	0
Capital Outlay	14,000	0	0
Total Engineering and Buildings	<u>\$260,000</u>	<u>\$203,000</u>	<u>\$203,000</u>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$11,000	\$11,000	\$11,000	\$11,000	\$12,000
3,000	3,000	3,000	3,000	3,000
0	0	0	0	0
16,000	0	0	0	0
0	0	0	0	0
30,000	14,000	14,000	14,000	15,000
45,000	46,000	47,000	48,000	48,000
28,000	28,000	31,000	33,000	36,000
2,000	2,000	3,000	3,000	3,000
5,000	10,000	11,000	11,000	11,000
0	1,000	1,000	1,000	1,000
80,000	87,000	93,000	96,000	99,000
89,000	73,000	75,000	76,000	77,000
45,000	35,000	42,000	47,000	51,000
383,000	406,000	406,000	406,000	406,000
4,000	4,000	3,000	3,000	3,000
521,000	518,000	526,000	532,000	537,000
8,000	9,000	9,000	9,000	9,000
2,000	2,000	2,000	2,000	2,000
1,000	4,000	4,000	4,000	4,000
2,000	1,000	1,000	1,000	1,000
13,000	16,000	16,000	16,000	16,000
77,000	74,000	75,000	77,000	79,000
35,000	20,000	21,000	22,000	23,000
7,000	10,000	10,000	10,000	10,000
0	1,000	1,000	1,000	1,000
119,000	105,000	107,000	110,000	113,000
97,000	94,000	96,000	98,000	100,000
33,000	29,000	31,000	33,000	35,000
0	3,000	4,000	4,000	4,000
0	2,000	3,000	3,000	3,000
130,000	128,000	134,000	138,000	142,000
122,000	122,000	123,000	125,000	128,000
50,000	47,000	50,000	54,000	58,000
9,000	40,000	41,000	42,000	42,000
12,000	12,000	12,000	12,000	12,000
0	1,000	2,000	2,000	2,000
5,000	2,000	5,000	4,000	4,000
\$198,000	\$224,000	\$233,000	\$239,000	\$246,000

(continued)

**City of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
General Fund (continued)

	2003 Actual	2004 Actual	2005 Actual
<b>Central Services</b>			
Fringe Benefits	\$215,000	\$251,000	\$52,000
Contractual Services	974,000	1,182,000	1,320,000
Materials and Supplies	2,000	3,000	4,000
Miscellaneous	68,000	22,000	79,000
Capital Outlay	3,000	0	1,000
<b>Total Central Services</b>	<b>1,262,000</b>	<b>1,458,000</b>	<b>1,456,000</b>
<b>Purchasing</b>			
Personal Services	65,000	52,000	42,000
Fringe Benefits	29,000	26,000	20,000
Contractual Services	4,000	1,000	1,000
Materials and Supplies	1,000	0	0
<b>Total Purchasing</b>	<b>99,000</b>	<b>79,000</b>	<b>63,000</b>
<b>Vital Statistics</b>			
Personal Services	11,000	11,000	12,000
Fringe Benefits	1,000	1,000	1,000
<b>Total Vital Statistics</b>	<b>12,000</b>	<b>12,000</b>	<b>13,000</b>
<i>Security of Persons and Properties</i>			
<b>Police Department</b>			
Personal Services	3,413,000	3,211,000	2,651,000
Fringe Benefits	1,358,000	1,046,000	1,134,000
Contractual Services	218,000	186,000	409,000
Materials and Supplies	118,000	106,000	103,000
Capital Outlay	5,000	1,000	11,000
<b>Total Police Department</b>	<b>5,112,000</b>	<b>4,550,000</b>	<b>4,308,000</b>
<b>Fire Department</b>			
Personal Services	2,674,000	2,689,000	2,812,000
Fringe Benefits	1,109,000	1,256,000	1,195,000
Contractual Services	54,000	43,000	76,000
Materials and Supplies	95,000	36,000	20,000
Miscellaneous	0	0	0
Capital Outlay	8,000	4,000	2,000
<b>Total Fire Department</b>	<b>3,940,000</b>	<b>4,028,000</b>	<b>4,105,000</b>
<b>Parking Violations Bureau</b>			
Personal Services	47,000	33,000	24,000
Fringe Benefits	2,000	4,000	4,000
Contractual Services	3,000	1,000	0
<b>Total Parking Violations Bureau</b>	<b>52,000</b>	<b>38,000</b>	<b>28,000</b>
<b>Police/Fire Communications</b>			
Fringe Benefits	29,000	25,000	0
Contractual Services	3,000	2,000	38,000
Materials and Supplies	4,000	1,000	3,000
<b>Total Police/Fire Communications</b>	<b>\$36,000</b>	<b>\$28,000</b>	<b>\$41,000</b>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$40,000	\$35,000	\$40,000	\$45,000	\$45,000
1,344,000	1,450,000	1,460,000	1,470,000	1,480,000
4,000	4,000	4,000	4,000	4,000
45,000	35,000	38,000	38,000	38,000
1,000	3,000	1,000	3,000	3,000
1,434,000	1,527,000	1,543,000	1,560,000	1,570,000
41,000	42,000	42,000	43,000	44,000
20,000	19,000	19,000	19,000	21,000
0	1,000	1,000	1,000	1,000
0	1,000	1,000	1,000	1,000
61,000	63,000	63,000	64,000	67,000
12,000	14,000	14,000	15,000	15,000
1,000	7,000	8,000	8,000	9,000
13,000	21,000	22,000	23,000	24,000
2,267,000	2,309,000	2,343,000	2,363,000	2,404,000
1,242,000	1,135,000	1,215,000	1,273,000	1,356,000
390,000	401,000	401,000	401,000	401,000
90,000	100,000	100,000	100,000	100,000
11,000	15,000	15,000	15,000	15,000
4,000,000	3,960,000	4,074,000	4,152,000	4,276,000
2,344,000	2,375,000	2,314,000	2,355,000	2,400,000
1,353,000	1,335,000	1,375,000	1,457,000	1,552,000
88,000	90,000	90,000	90,000	90,000
90,000	100,000	100,000	100,000	100,000
0	1,000	1,000	1,000	1,000
25,000	25,000	25,000	25,000	25,000
3,900,000	3,926,000	3,905,000	4,028,000	4,168,000
21,000	21,000	22,000	22,000	23,000
14,000	13,000	14,000	15,000	17,000
0	0	0	0	0
35,000	34,000	36,000	37,000	40,000
0	0	0	0	0
32,000	32,000	32,000	32,000	32,000
3,000	4,000	4,000	4,000	4,000
\$35,000	\$36,000	\$36,000	\$36,000	\$36,000

(continued)



**City of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
General Fund (continued)

	2003 Actual	2004 Actual	2005 Actual
<i>Transportation</i>			
Service Department			
Personal Services	\$215,000	\$220,000	\$162,000
Fringe Benefits	106,000	144,000	119,000
Contractual Services	42,000	25,000	35,000
Materials and Supplies	95,000	47,000	47,000
Capital Outlay	1,000	3,000	7,000
Miscellaneous	5,000	3,000	6,000
Total Service Department	<u>464,000</u>	<u>442,000</u>	<u>376,000</u>
<i>Community Environment</i>			
Housing			
Personal Services	133,000	81,000	74,000
Fringe Benefits	48,000	45,000	54,000
Contractual Services	1,000	1,000	5,000
Materials and Supplies	4,000	3,000	3,000
Capital Outlay	0	0	15,000
Total Housing	<u>186,000</u>	<u>130,000</u>	<u>151,000</u>
Forestry			
Personal Services	51,000	51,000	38,000
Fringe Benefits	7,000	15,000	8,000
Contractual Services	0	1,000	8,000
Materials and Supplies	4,000	3,000	2,000
Total Forestry	<u>62,000</u>	<u>70,000</u>	<u>56,000</u>
<i>Basic Utility Services</i>			
Street Lighting			
Contractual Services	173,000	201,000	204,000
Materials and Supplies	4,000	7,000	11,000
Capital Outlay	0	3,000	0
Total Street Lighting	<u>177,000</u>	<u>211,000</u>	<u>215,000</u>
Refuse Collection			
Personal Services	1,000	0	1,000
Contractual Services	864,000	802,000	800,000
Total Refuse Collection	<u>865,000</u>	<u>802,000</u>	<u>801,000</u>
Street Cleaning			
Personal Services	20,000	2,000	2,000
Fringe Benefits	4,000	1,000	1,000
Contractual Services	1,000	0	1,000
Materials and Supplies	0	1,000	0
Total Street Cleaning	<u>25,000</u>	<u>4,000</u>	<u>4,000</u>
Snow Removal			
Personal Services	31,000	27,000	29,000
Fringe Benefits	3,000	6,000	3,000
Contractual Services	3,000	2,000	2,000
Materials and Supplies	87,000	2,000	0
Total Snow Removal	<u>\$124,000</u>	<u>\$37,000</u>	<u>\$34,000</u>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$285,355	\$222,000	\$227,000	\$232,000	\$236,000
136,645	123,000	135,000	138,000	167,000
0	32,000	33,000	34,000	34,000
0	55,000	56,000	57,000	57,000
0	3,000	3,000	70,000	3,000
0	2,000	2,000	2,000	2,000
<u>422,000</u>	<u>437,000</u>	<u>456,000</u>	<u>533,000</u>	<u>499,000</u>
64,000	63,000	64,000	65,000	67,000
35,000	26,000	28,000	30,000	32,000
31,000	11,000	11,000	12,000	12,000
4,000	4,000	5,000	4,000	4,000
1,000	1,000	2,000	2,000	2,000
<u>135,000</u>	<u>105,000</u>	<u>110,000</u>	<u>113,000</u>	<u>117,000</u>
40,000	41,000	41,000	42,000	43,000
24,000	18,000	19,000	19,000	19,000
8,000	1,000	1,000	1,000	1,000
4,000	4,000	5,000	5,000	5,000
<u>76,000</u>	<u>64,000</u>	<u>66,000</u>	<u>67,000</u>	<u>68,000</u>
205,000	205,000	206,000	206,000	206,000
25,000	9,000	9,000	10,000	10,000
3,000	3,000	7,000	20,000	5,000
<u>233,000</u>	<u>217,000</u>	<u>222,000</u>	<u>236,000</u>	<u>221,000</u>
0	0	0	0	0
<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
11,500	12,000	12,000	12,000	13,000
1,500	5,000	5,000	5,000	6,000
15,000	4,000	4,000	4,000	4,000
10,000	1,000	1,000	1,000	1,000
<u>38,000</u>	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>24,000</u>
55,000	56,000	57,000	58,000	59,000
25,000	24,000	26,000	26,000	26,000
0	3,000	4,000	4,000	4,000
5,000	5,000	5,000	6,000	6,000
<u>\$85,000</u>	<u>\$88,000</u>	<u>\$92,000</u>	<u>\$94,000</u>	<u>\$95,000</u>

(continued)

**City of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
General Fund (continued)

	2003 Actual	2004 Actual	2005 Actual
<i>Leisure-time Activities</i>			
Parks and Recreation			
Personal Services	\$216,000	\$267,000	\$99,000
Fringe Benefits	0	0	67,000
Contractual Services	40,000	10,000	21,000
Materials and Supplies	10,000	11,000	4,000
Capital Outlay	1,000	1,000	0
Miscellaneous	10,000	1,000	0
Total Parks and Recreation	<u>277,000</u>	<u>290,000</u>	<u>191,000</u>
<i>Debt Service:</i>			
Principal - OPWC Loan	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures</i>	<u>16,555,000</u>	<u>15,771,000</u>	<u>14,932,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(779,000)</u>	<u>(204,000)</u>	<u>672,000</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	77,000	0
Transfers Out	(207,000)	(244,000)	(180,000)
Advances In	215,000	0	0
Advances Out	(150,000)	(25,000)	0
Premium on Local Government Borrowing	0	0	36,000
Sale of Capital Assets	0	3,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>(142,000)</u>	<u>(189,000)</u>	<u>(144,000)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(921,000)	(393,000)	528,000
Adjustment to Beginning Balance	0	0	(329,000)
<i>Beginning Cash Balance</i>	<u>2,140,000</u>	<u>1,219,000</u>	<u>826,000</u>
<i>Ending Cash Balance</i>	1,219,000	826,000	1,025,000
<b>Encumbrances and Reserves:</b>			
Actual/Estimated Encumbrances December 31	171,000	138,000	408,000
<i>Reservations of Fund Balance for:</i>			
Fire Loss	217,000	217,000	0
General Liability	530,000	534,000	0
Police and Fire Pension	16,000	16,000	0
Vehicle Liability	156,000	156,000	867,000
<i>Unencumbered (Deficit) Fund Balance</i>	<u>\$129,000</u>	<u>(\$235,000)</u>	<u>(\$250,000)</u>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$78,000	\$74,000	\$76,000	\$77,000	\$79,000
33,000	38,000	42,000	44,000	48,000
21,000	25,000	25,000	25,000	25,000
15,000	15,000	15,000	15,000	15,000
3,000	5,000	5,000	15,000	5,000
0	1,000	1,000	1,000	1,000
<u>150,000</u>	<u>158,000</u>	<u>164,000</u>	<u>177,000</u>	<u>173,000</u>
159,000	159,000	159,000	159,000	159,000
<u>14,732,000</u>	<u>14,953,000</u>	<u>15,347,000</u>	<u>15,757,000</u>	<u>16,090,000</u>
<u>493,000</u>	<u>529,000</u>	<u>239,000</u>	<u>(222,000)</u>	<u>(490,000)</u>
0	0	0	0	0
(150,000)	(80,000)	(80,000)	(80,000)	(80,000)
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>(150,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>
343,000	449,000	159,000	(302,000)	(570,000)
0	0	0	0	0
<u>1,025,000</u>	<u>1,368,000</u>	<u>1,817,000</u>	<u>1,976,000</u>	<u>1,674,000</u>
1,368,000	1,817,000	1,976,000	1,674,000	1,104,000
200,000	200,000	200,000	200,000	200,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>867,000</u>	<u>867,000</u>	<u>867,000</u>	<u>867,000</u>	<u>867,000</u>
<u>\$301,000</u>	<u>\$750,000</u>	<u>\$909,000</u>	<u>\$607,000</u>	<u>\$37,000</u>

**City Of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
Street Fund

	2003 Actual	2004 Actual	2005 Actual
<b>Revenues</b>			
Intergovernmental Revenue	\$436,000	\$544,000	\$573,000
Interest	1,000	0	0
<b>Total Revenues</b>	<b>437,000</b>	<b>544,000</b>	<b>573,000</b>
<b>Expenditures</b>			
Traffic Control			
Personal Services	156,000	132,000	108,000
Fringe Benefits	19,000	20,000	12,000
Contractual Services	11,000	6,000	13,000
Materials and Supplies	31,000	13,000	2,000
Capital Outlay	8,000	1,000	10,000
Miscellaneous	0	29,000	1,000
<b>Total Traffic Control</b>	<b>225,000</b>	<b>201,000</b>	<b>146,000</b>
Street Repair			
Personal Services	95,000	88,000	75,000
Fringe Benefits	16,000	22,000	31,000
Contractual Services	10,000	18,000	16,000
Materials and Supplies	52,000	67,000	163,000
<b>Total Street Repair</b>	<b>173,000</b>	<b>195,000</b>	<b>285,000</b>
Street Fund Administration			
Fringe Benefits	55,000	40,000	36,000
Contractual Services	0	16,000	3,000
<b>Total Street Fund Administration</b>	<b>55,000</b>	<b>56,000</b>	<b>39,000</b>
Debt Service			
Principal - Backhoe Lease	0	0	0
Principal - OPWC Loan	0	0	0
Interest	0	0	0
<b>Total Street Fund Administration</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Expenditures</b>	<b>453,000</b>	<b>452,000</b>	<b>470,000</b>
<i>Excess of Revenues (Under) Over Expenditures</i>	(16,000)	92,000	103,000
<i>Beginning Cash Balance</i>	54,000	38,000	130,000
<i>Ending Cash Balance</i>	38,000	130,000	233,000
Less Encumbrances:			
Actual/Estimated Encumbrances	3,000	36,000	20,000
<b>Unencumbered Fund Balance</b>	<b>\$35,000</b>	<b>\$94,000</b>	<b>\$213,000</b>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$573,000	\$573,000	\$573,000	\$573,000	\$573,000
0	0	0	0	0
573,000	573,000	573,000	573,000	573,000
110,000	112,000	114,000	116,000	118,000
15,000	15,000	16,000	16,000	17,000
25,000	20,000	20,000	20,000	20,000
1,000	1,000	1,000	1,000	1,000
15,000	10,000	10,000	10,000	10,000
1,000	1,000	3,000	3,000	3,000
167,000	159,000	164,000	166,000	169,000
78,000	75,000	76,000	78,000	79,000
35,000	36,000	37,000	38,000	39,000
13,000	15,000	15,000	15,000	15,000
163,000	163,000	163,000	163,000	163,000
289,000	289,000	291,000	294,000	296,000
39,000	46,800	22,000	26,000	31,000
9,000	10,000	10,000	10,000	10,000
48,000	56,800	32,000	36,000	41,000
14,000	14,000	15,000	15,000	0
11,000	5,000	5,000	5,000	5,000
2,000	2,000	1,000	0	0
27,000	21,000	21,000	20,000	5,000
531,000	525,800	508,000	516,000	511,000
42,000	47,200	65,000	57,000	62,000
233,000	275,000	322,200	387,200	444,200
275,000	322,200	387,200	444,200	506,200
20,000	20,000	20,000	20,000	20,000
\$255,000	\$302,200	\$367,200	\$424,200	\$486,200

**City Of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
Older Americans Fund

	2003 Actual	2004 Actual	2005 Actual
<b>Revenues</b>			
Intergovernmental Revenue	\$230,000	\$174,000	\$210,000
Miscellaneous	12,000	12,000	5,000
<b>Total Revenues</b>	<b>242,000</b>	<b>186,000</b>	<b>215,000</b>
<b>Expenditures</b>			
Older Americans			
Personal Services	302,000	195,000	172,000
Fringe Benefits	66,000	63,000	61,000
Contractual Services	22,000	49,000	58,000
Materials and Supplies	11,000	8,000	11,000
Capital Outlay	9,000	2,000	0
Miscellaneous	1,000	0	0
<b>Total Older Americans</b>	<b>411,000</b>	<b>317,000</b>	<b>302,000</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(169,000)</i>	<i>(131,000)</i>	<i>(87,000)</i>
<b>Other Financing Sources</b>			
Transfers In	99,000	80,000	80,000
Proceeds of Notes	0	0	304,000
<i>Total Other Financing Sources</i>	<i>99,000</i>	<i>80,000</i>	<i>384,000</i>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	<i>(70,000)</i>	<i>(51,000)</i>	<i>297,000</i>
<i>Beginning Cash (Deficit) Balance</i>	<i>(173,000)</i>	<i>(243,000)</i>	<i>(294,000)</i>
<i>Ending Cash (Deficit) Balance</i>	<i>(243,000)</i>	<i>(294,000)</i>	<i>3,000</i>
Less Encumbrances:			
Actual/Estimated Encumbrances	1,000	3,000	9,000
<i>Unencumbered (Deficit) Fund Balance</i>	<i>(\$244,000)</i>	<i>(\$297,000)</i>	<i>(\$6,000)</i>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$137,000	\$137,000	\$137,000	\$137,000	\$137,000
5,000	5,000	5,000	5,000	5,000
142,000	142,000	142,000	142,000	142,000
168,000	171,000	174,000	177,000	180,000
37,000	37,000	37,000	38,000	38,000
4,000	4,000	4,000	4,000	4,000
7,000	7,000	7,000	7,000	7,000
0	0	0	0	0
0	0	0	0	0
216,000	219,000	222,000	226,000	229,000
(74,000)	(77,000)	(80,000)	(84,000)	(87,000)
80,000	80,000	80,000	80,000	80,000
0	0	0	0	0
80,000	80,000	80,000	80,000	80,000
6,000	3,000	0	(4,000)	(7,000)
3,000	9,000	12,000	12,000	8,000
9,000	12,000	12,000	8,000	1,000
1,000	1,000	1,000	1,000	1,000
\$8,000	\$11,000	\$11,000	\$7,000	\$0



**City of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
Community Development Block Grant Fund

	2003 Actual	2004 Actual	2005 Actual
<b>Revenues</b>			
Intergovernmental Revenue	\$1,311,000	\$1,800,000	\$860,000
Miscellaneous	22,000	28,000	17,000
<b>Total Revenues</b>	<b>1,333,000</b>	<b>1,828,000</b>	<b>877,000</b>
<b>Expenditures</b>			
Rehabilitation - Non-Residential			
Fringe Benefits	0	0	2,000
Contractual Services	7,000	17,000	0
<b>Total Rehabilitation - Non-Residential</b>	<b>7,000</b>	<b>17,000</b>	<b>2,000</b>
Rehabilitation - Residential Projects			
Contractual Services	128,000	177,000	134,000
Delivery Costs			
Personal Services	202,000	201,000	115,000
Fringe Benefits	66,000	59,000	61,000
Materials and Supplies	3,000	1,000	0
Contractual Services	42,000	9,000	7,000
<b>Total Delivery Costs</b>	<b>313,000</b>	<b>270,000</b>	<b>183,000</b>
Public Service			
Contractual Services	67,000	62,000	187,000
Public Works			
Fringe Benefits	374,000	0	0
Contractual Services	442,000	1,230,000	168,000
<b>Total Public Works</b>	<b>816,000</b>	<b>1,230,000</b>	<b>168,000</b>
Restricted Fund			
Personal Services	156,000	175,000	173,000
Fringe Benefits	40,000	44,000	52,000
Contractual Services	19,000	19,000	19,000
Materials and Supplies	7,000	8,000	13,000
Capital Outlay	3,000	1,000	1,000
<b>Total Restricted Fund</b>	<b>225,000</b>	<b>247,000</b>	<b>258,000</b>
<b>Total Expenditures</b>	<b>1,556,000</b>	<b>2,003,000</b>	<b>932,000</b>
<i>Excess of Revenues Under Expenditures</i>	<i>(223,000)</i>	<i>(175,000)</i>	<i>(55,000)</i>
<b>Other Financing Sources</b>			
Transfers In	100,000	0	0
Proceeds of Notes	0	0	467,000
<b>Total Other Financing Sources</b>	<b>100,000</b>	<b>0</b>	<b>467,000</b>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	<i>(123,000)</i>	<i>(175,000)</i>	<i>412,000</i>
Adjustment to Beginning Balance	0	0	354,000
<i>Beginning (Deficit) Cash Balance</i>	<i>(468,000)</i>	<i>(591,000)</i>	<i>(766,000)</i>
<i>Ending (Deficit) Cash Balance</i>	<i>(591,000)</i>	<i>(766,000)</i>	<i>0</i>
Less Encumbrances:			
Actual/Estimated Encumbrances	85,000	296,000	611,000
<b>Unencumbered (Deficit) Fund Balance</b>	<b>(\$676,000)</b>	<b>(\$1,062,000)</b>	<b>(\$611,000)</b>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$2,248,000	\$2,248,000	\$2,248,000	\$2,248,000	\$2,248,000
22,000	22,000	22,000	22,000	22,000
<u>2,270,000</u>	<u>2,270,000</u>	<u>2,270,000</u>	<u>2,270,000</u>	<u>2,270,000</u>
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
206,000	215,000	215,000	215,000	215,000
216,000	220,000	224,000	228,000	233,000
85,000	87,000	89,000	91,000	93,000
0	0	0	0	0
11,000	12,000	12,000	12,000	12,000
<u>312,000</u>	<u>319,000</u>	<u>325,000</u>	<u>331,000</u>	<u>338,000</u>
197,000	210,000	210,000	210,000	210,000
0	0	0	0	0
<u>1,205,000</u>	<u>1,235,000</u>	<u>1,235,000</u>	<u>1,235,000</u>	<u>1,235,000</u>
<u>1,205,000</u>	<u>1,235,000</u>	<u>1,235,000</u>	<u>1,235,000</u>	<u>1,235,000</u>
176,000	180,000	184,000	188,000	192,000
53,000	54,000	55,000	56,000	57,000
22,000	25,000	25,000	25,000	25,000
13,000	12,000	12,000	12,000	12,000
1,000	2,000	2,000	2,000	2,000
<u>265,000</u>	<u>273,000</u>	<u>278,000</u>	<u>283,000</u>	<u>288,000</u>
2,185,000	2,252,000	2,263,000	2,274,000	2,286,000
85,000	18,000	7,000	(4,000)	(16,000)
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
85,000	18,000	7,000	(4,000)	(16,000)
0	0	0	0	0
<u>0</u>	<u>85,000</u>	<u>103,000</u>	<u>110,000</u>	<u>106,000</u>
85,000	103,000	110,000	106,000	90,000
85,000	85,000	85,000	85,000	85,000
<u>\$0</u>	<u>\$18,000</u>	<u>\$25,000</u>	<u>\$21,000</u>	<u>\$5,000</u>

**City Of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
Water Fund

	2003 Actual	2004 Actual	2005 Actual
<b>Revenues</b>			
Charges of Services	\$4,289,000	\$3,744,000	\$4,206,000
Interest	1,000	3,000	5,000
Miscellaneous	244,000	255,000	34,000
<b>Total Revenues</b>	<b>4,534,000</b>	<b>4,002,000</b>	<b>4,245,000</b>
<b>Expenditures</b>			
Water Fund Administration			
Personal Services	0	205,000	220,000
Fringe Benefits	38,000	174,000	195,000
Contractual Services	426,000	258,000	47,000
Materials and Supplies	0	15,000	12,000
Capital Outlay	0	6,000	2,000
Miscellaneous	34,000	44,000	49,000
<b>Total Water Fund Administration</b>	<b>498,000</b>	<b>702,000</b>	<b>525,000</b>
Water Supply			
Contractual Services	3,411,000	3,264,000	3,188,000
Water Distribution			
Personal Services	4,000	65,000	139,000
Fringe Benefits	1,000	1,000	14,000
Contractual Services	10,000	27,000	18,000
Materials and Supplies	8,000	53,000	51,000
Miscellaneous	0	3,000	12,000
<b>Total Distribution</b>	<b>23,000</b>	<b>149,000</b>	<b>234,000</b>
Debt Service			
Principal	0	0	42,000
<b>Total Expenditures</b>	<b>3,932,000</b>	<b>4,115,000</b>	<b>3,989,000</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	602,000	(113,000)	256,000
<i>Beginning Cash (Deficit) Balance</i>	(711,000)	(109,000)	(222,000)
<i>Ending Cash (Deficit) Balance</i>	(109,000)	(222,000)	34,000
Less Encumbrances:			
Actual/Estimated Encumbrances	5,000	18,000	426,000
<i>Unencumbered (Deficit) Fund Balance</i>	<u>(\$114,000)</u>	<u>(\$240,000)</u>	<u>(\$392,000)</u>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$4,206,000	\$4,206,000	\$4,206,000	\$4,206,000	\$4,206,000
3,000	3,000	3,000	3,000	3,000
33,000	33,000	33,000	33,000	33,000
4,242,000	4,242,000	4,242,000	4,242,000	4,242,000
236,000	217,000	221,000	226,000	230,000
211,000	106,000	107,000	108,000	109,000
53,000	72,000	72,000	72,000	72,000
16,000	16,000	16,000	16,000	16,000
28,000	28,000	28,000	28,000	28,000
30,000	30,000	30,000	30,000	30,000
574,000	469,000	474,000	480,000	485,000
3,295,000	3,350,000	3,260,000	3,260,000	3,260,000
145,000	148,000	168,000	171,000	175,000
18,000	21,000	21,000	21,000	21,000
75,000	75,000	75,000	75,000	75,000
6,000	100,000	100,000	100,000	100,000
0	3,000	3,000	3,000	3,000
244,000	347,000	367,000	370,000	374,000
42,000	93,000	93,000	93,000	93,000
4,155,000	4,259,000	4,194,000	4,203,000	4,212,000
87,000	(17,000)	48,000	39,000	30,000
34,000	121,000	104,000	152,000	191,000
121,000	104,000	152,000	191,000	221,000
100,000	100,000	100,000	100,000	100,000
\$21,000	\$4,000	\$52,000	\$91,000	\$121,000

**City of East Cleveland**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis  
For the Years Ended December 31, 2003 through 2005, Actual  
and Ending December 31, 2006 Through 2010, Forecasted  
Sewer Fund

	2003 Actual	2004 Actual	2005 Actual
<b>Revenues</b>			
Charges of Services	\$3,774,000	\$4,101,000	\$4,023,000
Interest	1,000	1,000	6,000
Total Revenues	<u>3,775,000</u>	<u>4,102,000</u>	<u>4,029,000</u>
<b>Expenditures</b>			
Sewer Administration Fund			
Personal Services	57,000	238,000	197,000
Fringe Benefits	34,000	101,000	48,000
Contractual Services	3,772,000	3,635,000	3,522,000
Materials and Supplies	9,000	25,000	32,000
Capital Outlay	0	0	17,000
Miscellaneous	24,000	43,000	40,000
Total Sewer Administration Fund	<u>3,896,000</u>	<u>4,042,000</u>	<u>3,856,000</u>
Sewer Maintenance			
Personal Services	27,000	29,000	146,000
Fringe Benefits	(5,000)	0	12,000
Contractual Services	0	0	3,000
Materials and Supplies	0	0	13,000
Total Sewer Maintenance	<u>22,000</u>	<u>29,000</u>	<u>174,000</u>
Total Expenditures	<u>3,918,000</u>	<u>4,071,000</u>	<u>4,030,000</u>
<i>Excess of Revenues Under Expenditures</i>	(143,000)	31,000	(1,000)
<b>Other Financing Sources</b>			
Proceeds of Notes	<u>0</u>	<u>0</u>	<u>2,075,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	(143,000)	31,000	2,074,000
<i>Beginning Cash (Deficit) Balance</i>	<u>(1,962,000)</u>	<u>(2,105,000)</u>	<u>(2,074,000)</u>
<i>Ending Cash (Deficit) Balance</i>	(2,105,000)	(2,074,000)	0
Less Encumbrances:			
Actual/Estimated Encumbrances	<u>0</u>	<u>4,000</u>	<u>642,020</u>
<i>Unencumbered (Deficit) Fund Balance</i>	<u>(\$2,105,000)</u>	<u>(\$2,078,000)</u>	<u>(\$642,020)</u>

2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted	2010 Forecasted
\$4,149,000	\$4,149,000	\$4,149,000	\$4,149,000	\$4,149,000
2,000	2,000	3,000	3,000	3,000
4,151,000	4,151,000	4,152,000	4,152,000	4,152,000
201,000	218,000	220,000	222,000	224,000
49,000	50,000	51,000	52,000	52,000
3,657,000	3,645,000	3,645,000	3,645,000	3,645,000
30,000	30,000	13,000	13,000	13,000
0	0	12,000	5,000	0
35,000	35,000	35,000	35,000	35,000
3,972,000	3,978,000	3,976,000	3,972,000	3,969,000
149,000	152,000	155,000	158,000	161,000
12,000	13,000	13,000	14,000	14,000
3,000	3,000	3,000	3,000	3,000
5,000	5,000	5,000	5,000	5,000
169,000	173,000	176,000	180,000	183,000
4,141,000	4,151,000	4,152,000	4,152,000	4,152,000
10,000	0	0	0	0
0	0	0	0	0
10,000	0	0	0	0
0	10,000	10,000	10,000	10,000
10,000	10,000	10,000	10,000	10,000
10,000	10,000	10,000	10,000	10,000
\$0	\$0	\$0	\$0	\$0

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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**Note 1 – The City**

The City of East Cleveland is located in Cuyahoga County, Ohio, east of the City of Cleveland and has a population of approximately 18,000. The City charter was originally adopted on June 6, 1916, and became effective January 1, 1918. The City of East Cleveland is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own charter. The current Charter provides for a Council/Mayor form of government.

On September 9, 1988, the Auditors of State's office declared the City of East Cleveland to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three individuals whose residency or principal place of business is within the City and a designee from both the State Treasurer's Office and the Office of Budget Management. This Commission is required to adopt a financial recovery plan for the City. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the City must be conducted in accordance with the plan.

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

**Note 2 – Nature of Presentation**

This financial forecast presents, to the best of the City's knowledge and belief, the expected revenues and expenditures and changes in fund balances for the forecast period. Accordingly, the forecast reflects the City's judgment, as of January 10, 2006, the date of the forecast, the expected conditions, and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the City. These funds are the general fund, street fund, older Americans fund, community development block grant fund, water fund and sewer fund.

**Note 3 – Summary of Significant Accounting Policies**

**A. Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to maintain the historical financial information. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

### B. Fund Accounting

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

#### Governmental Funds

##### General Fund

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

##### Special Revenue Funds

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

##### Debt Service Funds

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

##### Capital Project Funds

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

#### Proprietary Funds

##### Enterprise Funds

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

##### Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

#### Fiduciary Funds

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



City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control adopted by City Council is established at the object level within each department and fund. Any budgetary modifications at these levels may only be made by resolution of Council. The Finance Director has the ability to allocate appropriations beyond the levels adopted by Council.

Budget – The Cuyahoga County Budget Commission waived the filing of a formal tax budget. In place of the tax budget, the City must file detailed information about the general fund revenues, estimated unencumbered fund balances and total estimated receipts and expenditures for each fund, and a list of existing property tax levies.

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

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City. The appropriation measure may be amended or supplemented during the year as new information becomes available.

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

D. Property, Plant and Equipment

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

City of East Cleveland, Ohio  
 Summary of Significant Accounting Policies and Forecast Assumptions  
 For the Years Ending December 31, 2006 through 2010

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**Note 4 – General Revenue Assumptions – All Funds**

**A. Property Taxes**

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

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

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2003. The next triennial update will take place in 2006. Based on past years, the City anticipates consistent increases in real property assessed valuation. The City’s assessed values upon which property tax receipts were based are as follows:

<u>Class of Property</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Real Property				
Residential and Agriculture	\$126,104,920	\$127,723,340	\$125,718,640	\$127,243,210
Commercial and Industrial	49,507,310	58,072,160	62,301,600	63,111,020
Public Utility Personal Property	12,791,910	13,657,250	11,604,960	13,657,250
Tangible Personal Property	16,107,195	11,614,705	14,041,140	8,711,029
Total Assessed Values	<u>\$204,511,335</u>	<u>\$211,067,455</u>	<u>\$213,666,340</u>	<u>\$212,722,509</u>

Section 61-F of the City of East Cleveland charter allows the Council of the City to levy property taxes without a vote of the people up to a maximum of 12.7 mills for each one dollar of assessed valuation. Property tax revenues generated from the current levies are as follows.

<u>Levy Type</u>	<u>Fund</u>	<u>Last Year of Collection</u>	<u>Total Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Millage	General	Continuing	3.12
Inside Millage	Police Pension	Continuing	0.30
Inside Millage	Fire Pension	Continuing	0.30
Charter Millage	General	Continuing	6.98
Charter Millage	Permanent Improvement	Continuing	2.00
			<u>12.70</u>

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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Property taxes received in the police pension fund, firemen pension fund, and permanent improvement fund are not part of the forecast.

***Tangible Personal Property:*** Tangible personal property taxes have had several changes in the past several years. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Effective for tax years 2005 and 2006, the assessment rate on business inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 will phase out by 25 percent each year tangible personal property tax on most businesses inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in 2009. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The City, based on the 2005 tangible personal property tax collections, will lose \$174,517 when the tangible personal property tax is completely phased out in 2009. The State of Ohio will reimburse the City for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Intergovernmental Revenue below).

The State exempted the first \$10,000 in personal property from taxation. The State reimburses the City for the lost revenue. Beginning with tax year 2004, the State was phasing out the reimbursement by 10 percent each year. The reimbursement is included in intergovernmental revenue.

***Real Property:*** Real property taxes increased 14 percent from 2003 to 2004 and 3 percent from 2004 to 2005. These increases are due to new construction within the City, the reappraisal which occurred in 2003, and the City's aggressive homes program which rehabilitates older homes. The anticipated change in assessed value from the triennial update scheduled in 2006 is forecasted to increase real property taxes approximately five percent in 2007. Real property tax revenue increased ten percent in 2004 as a result of the reappraisal completed in 2003. Since the triennial update is not a full appraisal, a five percent increase is estimated. Increases in real property taxes since 2001 have been offset by the changes in tangible personal property and the phase out of tangible personal property from 2006 through 2009 will also reduce real property revenue.

#### **B. Intergovernmental Revenue**

Intergovernmental revenues include local government monies, local government revenue assistance, and property tax allocations for rollback and homestead and tangible personal property. The local government and local government revenue assistance funds are distributed monthly by the State to the City and by the County auditor to the City. The property tax allocations for rollback and homestead and the tangible personal property exemption are received from the State and are based on information provided by the county auditor.

City of East Cleveland, Ohio  
 Summary of Significant Accounting Policies and Forecast Assumptions  
 For the Years Ending December 31, 2006 through 2010

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Beginning in 2006, the State will reimburse the City for lost revenue due to the phase out of tangible personal property tax. In the first five years, the City will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. In the next seven years, the reimbursements are phased out. The reimbursement will be made for the base year amount, except that taxing authorities are only reimbursed for inventory property assessment percentage reductions beyond those already in place before the passage of HB 66. This means the City is only reimbursed for the difference between prior law and its phase-outs and the phase-outs in HB 66.

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

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

Section 503.12(B) of House Bill 66 establishes a Task Force to study potential sources of State funding for the Local Government and the Local Government Revenue Assistance programs that have the capacity for growth in funding levels and to provide stability in funding levels. In addition, the Task Force is to consider changes to the codified funding formula that reflects the reform to the Ohio tax code. By December 1, 2006, the Task Force is to submit a report to the Governor and to the General Assembly setting forth its recommendations for sources of funding for the Local Government and the Local Government Revenue Assistance programs together with suggested legislation to implement the recommendations.

The City anticipates the continuation of local government revenues at the same level as 2005. In 2005, the City issued local government notes in the amount of \$2,913,000 to eliminate deficit balances in several funds. The notes bear interest of 4.19 percent and will be fully retired in 2013. The amount of local government revenue recorded to the general fund has been reduced by the annual debt service requirements on the notes. The amount of principal and interest due each year and the corresponding decrease in local government revenue to the general fund is as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Local Government Note (principal)	\$364,000	\$364,000	\$364,000	\$364,000	\$364,000
Local Government Note (interest)	<u>114,000</u>	<u>111,000</u>	<u>95,000</u>	<u>80,000</u>	<u>65,000</u>
 Total Local Government Note	 <u>\$478,000</u>	 <u>\$475,000</u>	 <u>\$459,000</u>	 <u>\$444,000</u>	 <u>\$429,000</u>

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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**Note 5 – Specific Fund Revenue Assumptions**

**A. General Fund**

**Municipal Income Tax**

The City levies a municipal income tax of two percent on all income earned within the City as well as income of residents earned outside of the City. The entire amount of the tax is voter approved. Employers within the City are required to withhold the tax from their employees and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration and return annually.

All income tax money is receipted into the General fund and used at the Council's discretion. Income tax receipts have remained constant in spite of the low income and high unemployment within the City. An increase is expected in 2006 through 2007 due to the income tax department initiating an aggressive program to collect delinquent taxes through the Municipal Court.

**Charges for Services**

Charges for services represent revenues received from the collection of refuse, copies of birth and death certificates, towing fees, parking violations and park and recreation programs. The forecast is based on actual revenues collected in 2005. In April 2005, Council increased the monthly refuse fees from \$6 to \$14. The increase from \$6 to \$14 will generate an additional \$500,000 annually. For 2006, the City will receive a full year of revenue based on this increase. The forecasted revenues for 2007 through 2010 assume the \$14 refuse fee throughout the forecast period. In addition, in 2005 the St. Clair Auto Body towing fees are receipted into the general fund as charges for services. In prior years these fees were receipted into the general fund as Municipal Court revenue. The City uses St. Clair Auto Body to tow vehicles that are blocking streets, parked illegally or have been abandoned.

An issue has been placed on the ballot for the February 2006, special election to repeal ordinance 52-05 which increased the monthly refuse fee from \$6 to \$14 per housing unit. Since the results of this election are unknown at this time, no change has been included in the forecast period.

**Municipal Court**

Municipal court receipts represents revenues received from civil, criminal, bail bond and minor programs run by the Court. The amount forecasted is higher than 2005 due to the new judge increasing court fees. Although a new fee schedule has not yet been finalized, a conservative estimate of the increases are: \$143,000 from 2005 to 2006, \$175,000 from 2006 to 2007, and an annual increase of \$50,000 for the years 2008 through 2010.

**Licenses and Permits**

Licenses and permits represent receipts from building, plumbing, electrical, business occupancy, game machine and conditional use permits. Building, plumbing and electrical permits are anticipated to return to the 2003 level for 2006 through 2010. This is due to permits for the new middle school and high school being issued in 2003 and 2004. The City has no other large construction projects at this time. A slight increase is anticipated for game machine permits and building occupancy permits in the forecast period.

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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Intergovernmental

Intergovernmental revenue includes homestead and rollback, personal property tax exemptions, inheritance tax, cigarette tax, beer and liquor permits, and local government assistance revenue. The intergovernmental revenue is anticipated to be slightly higher than current year collections. The reason for a slight increase is that the Cuyahoga County Auditor's office has confirmed an increase in the local government monies for 2006 and the addition of reimbursement monies from the State for the loss of tangible personal property tax monies. This is offset by anticipated lowered personal property tax exemption money to be received.

Special Assessment

Special assessment revenue is from street lighting throughout the City. The amount forecasted is in line with a current year collections and is expected to remain consistent throughout the forecast.

Interest

Interest revenue is received on the City STAROhio accounts and overnight investments. Interest revenue is expected to increase through 2007 and remain constant for the remainder of the forecast.

Miscellaneous

Miscellaneous revenue includes refunds, COBRA payments from prior employees and other infrequent or small dollar amount receipts. Miscellaneous revenue in 2004 was higher than in 2003 due to several large refunds and increased COBRA receipts. In 2005, several agency funds were analyzed and it was determined that there had been no activity in the funds since prior to 2000. The monies were receipted into miscellaneous revenue in the general fund. \$221,735 was moved to the general fund. The amount forecasted reflects a return to an average amount for this revenue.

B. Street Fund

Intergovernmental

Intergovernmental revenue consists of gas, municipal cents per gallon, county permissive and motor vehicle license taxes. Intergovernmental revenue has increased over the last two years because of increases in the State gas tax. No increases are expected for the remainder of the forecast.

C. Older Americans Fund

Intergovernmental

Intergovernmental revenue consists of Title III-B, Title III-C1 and C2 grants from the Western Reserve Agency on Aging, transportation grants from the Ohio Department of Transportation and federal community development block grant awards that fluctuate from year to year. For 2005, the City received \$82,729 from the Western Reserve Agency on Aging for an adult day care services program. This program is no longer offered by the Western Reserve Agency on Aging after 2005.

Miscellaneous

Miscellaneous revenue consists of donations and rentals. This revenue is anticipated to remain consistent throughout the forecast period.

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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Proceeds of Notes

During 2005, this fund received \$304,000 in proceeds from local government notes. The notes were issued to eliminate the negative fund balance.

D. Community Development Block Grant Fund

Intergovernmental

In the past, the City received community development block grants which, if not used within the year, were carried forward to following years. There was no limit on the number of years the grants could be carried forward. In 2004, the City received a mandate to either use or lose the grants that were being carried forward. 2005 was the first year the City did not carry grants forward from prior periods. The community development block grants will remain under this use or lose mandate through the forecast period. The 2006 revenues are based on the grant award received by the community development department. The building rehabilitation and other programs have been expanded for 2006 and will receive additional awards over the 2005 amounts. This expanded program level, along with the corresponding additional revenues, will be maintained throughout the forecast period.

Miscellaneous

Miscellaneous revenue consists of land bank sales and reimbursements that have been stable over a three year period. The City receives properties through foreclosure, donation or abandonment. The majority of these properties are unfit for use and, if there are structures on the property, they are uninhabitable. One feature of the rehabilitation program is that these properties will be rehabilitated using community development block grant monies and then sold. The proceeds from the sale must be put back into the rehabilitation program to recuperate the grant monies. The reimbursements are also related to this program and the sale of the properties.

Proceeds of Notes

During 2005, this fund received \$467,000 in proceeds from local government notes. The notes were issued to eliminate the deficit fund balance.

E. Water Fund

Charges for Services

Charges for service revenues consist of water usage fees generated by the customers of East Cleveland for the water system. The City of East Cleveland purchases water from the City of Cleveland. To ensure that water revenue is adequate to cover the cost of water, Council passed ordinance 01-01 which passes all future rate increases from the City of Cleveland directly to the East Cleveland consumers. The City of Cleveland has not announced any rate increases for 2006 or the forecast period. If the City of Cleveland initiates water rate increases, a corresponding increase will occur in collections based on the application of the ordinance.

An issue has been placed on the ballot for the February 2006 special election to repeal ordinance 51-01 which increased water service restoration fees from \$10 to \$25 per housing unit. Since the results of this election are unknown at this time, no change has been included in the forecast period.

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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Miscellaneous

Miscellaneous revenue consists of reimbursements that have been stable over a three year period.

F. Sewer Fund

Charges for Services

Charges for service revenues consist of sewer usage fees generated by the citizens of East Cleveland for the use of the sewer system. The City of East Cleveland purchases sewer services from the Northeast Ohio Sewer District (NEOSD). To ensure that sewer revenue is adequate to cover the cost of sewer operations, Council passed ordinance 01-01 which passes all future rate increases from NEOSD directly to the East Cleveland consumers. The NEOSD increased rates January 1, 2006. The amount forecasted is derived from increased sewer rates of \$1.32 per cubic feet starting in 2006 that will generate greater revenues for the City of East Cleveland. If NEOSD initiates sewer rate increases, a corresponding increase will occur in collections based on the application of the ordinance.

Proceeds of Notes

During 2005, this fund received \$2,075,000 in proceeds from local government notes. The notes were issued to eliminate the deficit fund balance.

**Note 6 – General Expenditure Assumptions – All Funds**

A. Personal Services

Personal services include salaries, wages and longevity paid to the employees and elected officials of the City. All employees receive their compensation on a bi-weekly basis. City Council, by ordinance, sets the salary and hourly rates for elected officials and employees.

The City has labor agreements with the International Association of Firefighters, the American Federation of State, County, and Municipal Employees, the Ohio Patrolmen's Benevolent Association (Civil Service Patrolmen), District 1199 of the Service Employees International Union AFL-CIO, the Laborers International Union of North America, AFL-CIO and the Fraternal Order of Police, Lodge Number 19. The labor agreements allow for a two percent increase for all bargaining unit employees in both 2005 and 2006. All of the labor agreements expire December 31, 2006. All bargaining unit employees are paid longevity based on years of service ranging from \$475 to \$1,575 annually. There were no cost of living or step increases in 2004.

The City Council includes five elected members and two full-time administrative positions. Per City charter, Council members are paid \$4,500 per year, while the Council president is paid \$6,000 per year, payable in equal monthly installments.

The Court has one elected Judge, 17 full-time positions, and 2 part-time positions. Wages in this department are paid in part by the City and Cuyahoga County. The State of Ohio also pays a portion of the Judge's salary.



City of East Cleveland, Ohio  
 Summary of Significant Accounting Policies and Forecast Assumptions  
 For the Years Ending December 31, 2006 through 2010

The forecast is based on 238 employees, which is the number of employees that were in place at December 31, 2005. The forecast assumes that staffing levels will remain constant throughout the forecast period for the entire City. The staffing levels for the last three years and 2006 through 2010 are presented below.

Fund/Department	Number of Employees			
	December 2003	December 2004	December 2005	2006-2010
<u>General Fund</u>				
Court	23	24	21	20
Mayor	4	5	4	3
Council	7	7	7	7
Purchasing	2	1	1	1
Police	88	64	62	62
Parks and Recreation	8	5	2	3
Housing	4	1	1	2
Finance	8	4	6	5
Service	17	11	11	12
Fire	45	50	49	48
Law	8	5	5	5
Human Resources	3	3	1	2
Income Tax	4	3	3	3
Land and Buildings	3	2	2	2
Civil Service	3	3	3	3
Engineering	2	3	3	3
Information Technology (IT)	2	2	2	2
Total General Fund	<u>231</u>	<u>193</u>	<u>183</u>	<u>183</u>
Street	3	3	3	3
EMS	14	8	8	8
Community Development	13	12	12	12
Older Americans	14	11	12	11
Water and Sewer	<u>0</u>	<u>20</u>	<u>20</u>	<u>20</u>
Total All Departments	<u>275</u>	<u>247</u>	<u>238</u>	<u>237</u>

Certain employees are paid from more than one fund. The table does not represent the number of employees charged to the associated fund and department. The table does represent a head count of City employees based on their main department.

For the forecast period, salaries and wages for all employees are anticipated to increase two percent annually based on the historical trends of the City. Increases for most employees will be subject to an agreement with the bargaining units. If the agreements allow for more than a two percent increase, each additional one percent increase in 2007 would cause general fund personal services to increase \$64,000, water and sewer funds personal services to increase \$7,000, older Americans fund personal services to increase \$3,000, and community development block grant fund personal services to increase \$4,000.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension systems, health care benefits, life insurance, workers' compensation, Medicare, and other benefits arising from labor agreements.

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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The City provides medical, dental, vision, and life insurance benefits to its full-time employees through Medical Mutual of Ohio and Kaiser Permanente. The City anticipates the premiums for benefits to increase approximately 15 percent each year based on industry trends. The City charges the premiums for medical benefits to the same fund and department as the individual's compensation.

All full-time employees, other than police and firefighters participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 8.50 percent of their annual-covered wages and the City is required to contribute 13.55 percent of annual-covered wages for 2005. In the years 2006 through 2008, both the employee and employer rates will increase annually. The employee share will be 9.00 percent in 2006, 9.50 percent in 2007 and 10.00 percent for the period 2008 to 2010. The employer rate will be 13.7 percent in 2006, 13.85 percent in 2007 and 14.00 percent for the period 2008 to 2010.

All full-time police and firefighters contribute to the Ohio Police and Fire Pension Fund (OP&F). OP&F provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. Police and firefighters are required to contribute 10 percent of their annual-covered wages and the City is required to contribute 19.5 percent for police and 24 percent for firefighters of the annual-covered wages.

The City pays the employer's contribution to the police and fire pension and the long-term liability out of two special revenue funds, the Police Pension Fund and Fire Pension Fund, up to the amount available in the funds. These funds each receive three tenths of a mill property tax levy to be used to pay pension liabilities. The remaining employer's contribution of the police and fire pension are paid from the general fund.

The City also pays a portion of the employee share of OPERS and OP&F in accordance with the labor agreements. The City pays 100 percent of the employee's share of OPERS for members of the Municipal Foremen and Laborers Union Local 1099 (Chartered); Municipal, County and State Employees Local 1099; Laborers International Union of North America, AFL-CIO; American Federation of State, County and Municipal Employees unions. Also, the City pays 4.7 percent of the employee's share of OP&F for members of the East Cleveland Local 500 of the International Association of Fire Fighters union.

Severance pay will be paid out of the general, street, water and sewer funds in 2006 for retiring employees and for those employees who are terminated due to a change in administration.

Workers' compensation coverage is provided by the State. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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**Note 7 – Specific Fund Expenditure Assumptions**

**A. General Fund**

Contractual Services

Contractual services consist of utilities, liability insurance, and computer and equipment maintenance costs for the City. The central services department expenditures consist of election expenses, county health department fees, settlement deductions, liability insurance payments, suits and judgments, county auditor deductions and audit costs. The Municipal Court expenditures consist of professional development, training, audit costs and postage. The income tax department expenditures consist of charges for RITA and outside collection agencies. Refuse collection expenditures includes the cost of picking up garbage within the City.

Materials and Supplies

Materials and supplies expenditures include office supplies, building supplies and postage. Materials and supplies expenditures are anticipated to remain constant with 2005 throughout the forecast period for most departments.

Capital Outlay

Capital outlay expenditures include equipment, software, and computers.

Miscellaneous

Other expenditures include various miscellaneous items which are being kept to a minimum.

Debt Service

Debt Service expenditures include principal payments for an Ohio Public Works Commission loan. In 2003, the City received a 20 year, zero percent loan from the Ohio Public Works Commission (OPWC) in the amount of \$3,187,000 to rehabilitate Euclid Avenue. The project was completed in 2005 and the City will start semi-annual payments in July 2006.

Transfers Out

Transfers out in prior years included annual operating subsidies and resources used to eliminate the deficits in other funds. In 2006, the City forecasts transfers of \$80,000 to the Older Americans special revenue fund and \$70,000 to other funds. For 2007 through 2010, only the transfer to the Older Americans fund is anticipated.

**B. Street Fund**

Contractual Services

Contractual services expenditures consists of maintenance contracts and repair work that the City isn't able to fix on its own. Expenditures are expected to be reasonably consistent throughout the forecast period.

Materials and Supplies

Material and supplies expenditures include gasoline, various cleaning supplies, salt and slag. They are forecasted to remain fairly consistent with 2005 expenditures.

Debt Service

In 2005, the City leased backhoe equipment for four years with an interest rate of 4.12 percent. The final lease payment will be made on October 15, 2009.

City of East Cleveland, Ohio  
 Summary of Significant Accounting Policies and Forecast Assumptions  
 For the Years Ending December 31, 2006 through 2010

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The City of East Cleveland and Cleveland Heights completed a joint road rehabilitation project in 2005. The City of Cleveland Heights received a 20 year, zero percent loan from the Ohio Public Works Commission (OPWC) in the amount of \$105,945.72. The City will start to make semi-annual payments to the City of Cleveland Heights for its share of the project beginning in January 2006.

The following principal and interest payments will be made during the forecast period.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Backhoe (principal)	\$14,000	\$14,000	\$15,000	\$15,000	\$0
Backhoe (interest)	<u>2,000</u>	<u>2,000</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
Total Backhoe Lease	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>15,000</u>	<u>0</u>
OPWC Loan	<u>11,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total	<u>\$27,000</u>	<u>\$21,000</u>	<u>\$21,000</u>	<u>\$20,000</u>	<u>\$5,000</u>

C. Older Americans Fund

Contractual Services

Contractual services expenditures consists of utilities, maintenance contracts and repair work. Expenditures are expected to remain constant throughout the forecast period due to the loss of the adult day program.

Material and Supplies

Material and supplies expenditures include gasoline and various supplies and are estimated to remain fairly consistent with previous year actual expenditures.

D. CDBG Fund

Contractual Services

Contractual services expenditures consist of costs to run the various programs within the City. The major programs consist of residential rehabilitation, street improvements, building demolition, park and recreation development, Americans with Disabilities Act improvements and commercial property rehabilitation.

Material and Supplies

Material and supplies expenditures include various supplies and are estimated to remain fairly consistent with previous year actual expenditures.

E. Water Fund

Contractual Services

Contractual services consist of the cost of buying water from the cities of Cleveland and Cleveland Heights, and the cost of computer and equipment maintenance for the City. For 2006 and 2007 contractual services expenditures will increase. For 2008 through 2010, they are anticipated to remain constant. If there are increases, based on current City ordinances, they will be offset by corresponding increases in charges for services.

City of East Cleveland, Ohio  
Summary of Significant Accounting Policies and Forecast Assumptions  
For the Years Ending December 31, 2006 through 2010

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Materials and Supplies

Materials and supplies expenditures include office supplies, building supplies and postage. Materials and supplies expenditures are anticipated to decrease in 2006 due to budget constraints, then will increase in 2007 and remain constant throughout the remaining forecast period.

Capital Outlay

Capital outlay expenditures include equipment, software, and computers.

Miscellaneous

Other expenditures include various miscellaneous items which are being kept to a minimum.

F. Sewer Fund

Contractual Services

Contractual services consist of the cost of sewer service from the Northeast Ohio Sewer District, computer and equipment maintenance costs for the City. The City of East Cleveland purchases sewer services from the Northeast Ohio Sewer District (NEOSD). To ensure that sewer revenue is adequate to cover the cost of sewer operations, Council passed ordinance 01-01 which passes all future rate increases from NEOSD directly to the East Cleveland consumers. The NEOSD increased rates January 1, 2006.

Materials and Supplies

Materials and supplies expenditures include office supplies, building supplies and postage. Materials and supplies expenditures are anticipated to remain constant with 2005 throughout the forecast period.

Capital Outlay

Capital outlay expenditures include equipment, software, and computers.

Miscellaneous

Other expenditures include various miscellaneous items which are being kept to a minimum.

G. Other Issues

The residents of the City of East Cleveland have placed two issues on the February 7, 2006 special election ballot to reduce certain fees that are currently in place in the City. The issues are as follows:

- a. To repeal Ordinance number 51-01, which increased the water service restoration fee from \$10 to \$25 per housing unit. If passed, the loss of revenue to the water fund will be \$30,000 annually.
- b. To repeal Ordinance number 52-05, which increased the monthly refuse fee from \$6 to \$14 per housing unit. If passed, the loss of revenue to the general fund will be approximately \$500,000 annually.



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Betty Montgomery**

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**CITY OF EAST CLEVELAND**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 6, 2006**