

# **City Of Euclid, Ohio**

## **Comprehensive Annual Financial Report**

**December 31, 2003**





**Auditor of State  
Betty Montgomery**

Members of Council  
City of Euclid

We have reviewed the Independent Auditor's Report of the City of Euclid, Cuyahoga County, prepared by Ciuni & Panichi, Inc. for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

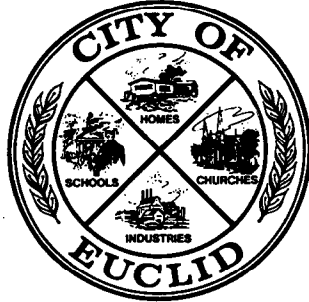
Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Euclid is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 28, 2004

**This Page is Intentionally Left Blank.**



**CITY OF EUCLID, OHIO**  
**INTRODUCTORY SECTION**

**This Page is Intentionally Left Blank.**

# City of Euclid, Ohio

## Comprehensive Annual Financial Report For The Year Ended December 31, 2003

<b>Table of Contents</b>	<b>Page</b>
<b>I. Introductory Section</b>	
Title Page .....	i
Table of Contents .....	ii
Letter of Transmittal .....	v
GFOA Certificate of Achievement .....	xiv
Organizational Chart .....	xv
List of Principal Officials.....	xvi
<b>II. Financial Section</b>	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	20
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual: General Fund .....	24
Statement of Fund Net Assets – Proprietary Funds .....	25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	26

# City of Euclid, Ohio

Comprehensive Annual Financial Report  
December 31, 2003

Table of Contents	Page
<b>II. Financial Section (continued)</b>	
Statement of Cash Flows – Proprietary Funds .....	27
Statement of Fiduciary Net Assets – Fiduciary Funds .....	29
Notes to the Basic Financial Statements .....	30
Combining Statements and Individual Fund Schedules:	
Combining Statements: Nonmajor Governmental Funds:	
Fund Descriptions .....	67
Combining Balance Sheet – Nonmajor Governmental Funds .....	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	69
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	72
Combining Statements – Agency Funds:	
Fund Descriptions .....	75
Combining Statement of Assets and Liabilities Agency Funds .....	76
Combining Statement of Changes in Assets and Liabilities Agency Funds .....	77
Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balances/Equity – Budget (Non-GAAP Basis) and Actual:	
Major Funds:	
General Fund .....	79
Debt Service Fund .....	80
Capital Bond and Note Construction Fund .....	81
Waste Water Enterprise Fund .....	82
Golf Course Enterprise Fund .....	83
NonMajor Funds:	
Streets and Highways Fund .....	84
Community Development Block Grant Fund .....	85
Recreation Fund .....	86
Court Computerization Fund .....	87
Animal Shelter Fund .....	88



# City of Euclid, Ohio

Comprehensive Annual Financial Report  
December 31, 2003

Table of Contents	Page
<b>II. Financial Section (continued)</b>	
Other Grants Fund.....	89
Capital Improvements Fund.....	90
Internal Service Fund.....	91
<b>III. Statistical Section</b>	
Operations Statistics:	
General Governmental Expenditures by Function.....	93
General Governmental Revenues by Source .....	94
Tax Statistics:	
Property Tax Levies and Collections.....	95
Assessed and Estimated Actual Value of Taxable Property .....	96
Assessed Value of Real Property by Class .....	97
Property Tax Rates - Direct and Overlapping Governments .....	98
Debt Statistics:	
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	99
Computation of Legal Debt Margin.....	100
Computation of Direct and Overlapping Debt.....	101
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures .....	102
Revenue Loan Coverage .....	103
Principal Amount of General Long and Short-Term Debt.....	104
Ratio of Debt to Total Population, Assessed Value of Real and Personal Property and Per Capita Income .....	106
Economic Demographic And Miscellaneous Statistics:	
Property Values, Bank Deposits and Construction.....	107
Principal Property Taxpayers - Personal Property .....	108
Principal Property Taxpayers - Real Property .....	109
Demographic Statistics .....	110
Miscellaneous Statistical Data .....	113
Special Assessment Billings and Collections .....	116
Schedule of Insurance .....	117

## **City of Euclid, Ohio**

### **Transmittal Letter**

---

The Transmittal Letter is a non-technical narrative that explains the legal and policy reasons for the publication of a Comprehensive Annual Financial Report and discusses its substantive highlights.



585 East 222nd Street, Euclid, OH 44123-2099

<http://www.ci.euclid.oh.us>

Department of FINANCE  
Jack Johnson, Director  
Phone: 216/289-2850  
Fax: 216/289-2764

June 24, 2004

Honorable Mayor Bill Cervenik,  
Members of Euclid City Council and  
Residents of the City of Euclid:

We are pleased to submit to you the City of Euclid's Comprehensive Annual Financial Report (CAFR). This CAFR represents the official report of the City of Euclid's operations and financial position for the fiscal year ended December 31, 2003, and has been developed to accurately detail the status of the City finances to Euclid residents and elected officials, investment institutions and underwriters, rating agencies and other interested parties. This report is the City's first done in compliance with GASB Statement No. 34, "Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments".

This report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). Responsibility for the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections:

**THE INTRODUCTORY SECTION** includes a table of contents, this transmittal letter, a list of the City's principal elected and appointed officials, an organizational chart, and the GFOA Certificate of Achievement.

**THE FINANCIAL SECTION** includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements. Data from the prior fiscal year, which ended December 31, 2002, has been included in certain statements and schedules for comparative purposes.

**THE STATISTICAL SECTION** includes a number of statistical tables and charts representing various financial, economic, social and demographic information presented on a ten year basis from 1994 through 2003.

References throughout this report to Note 1, Note 2, etc., are to the Notes to Financial Statements included in the Financial Section of this CAFR.

## PROFILE OF THE GOVERNMENT

### The City

The City is a municipal corporation and political subdivision of the State of Ohio. It is located on the southern shore of Lake Erie and in the Cuyahoga County.

The City of Euclid, which covers 10.2 square miles, is situated in the industrial Midwest and is bounded on the west by the City of Cleveland, on the north by Lake Erie and on the south and east by other smaller cities.

### City Government

The City was incorporated as a village in 1903, became incorporated, as a city in 1931 and then became a Charter City in 1951. The form of government established by the Charter is the Mayor/Council form. The executive power of the City is vested in the Mayor, who is elected for a term of four (4) years. The legislative power of the City is vested in a Council of nine (9) members elected for a term of two (2) years. The judicial power of the City is vested in the Municipal Court Judge, elected to a six (6) year term. The Mayor appoints the directors of Administration, Finance, Community Service and Economic Development, Law, Parks & Recreation, and Public Service.

### City Services

The City of Euclid offers its citizens a full range of municipal services that include a municipal court, police and fire protection, sanitation, street maintenance and improvements, health and welfare, community and economic development, a civic cultural center, and a community center that is home to many senior citizen organizations and community activities. In addition, the City's recreational facilities include an 18-hole municipal golf course, an indoor ice skating rink, several swimming pools, and a variety of sports fields which provide opportunities for competitive sports. Fine health care is available in Euclid for people living and working in the City, due to the presence of Euclid Hospital, affiliated with the Cleveland Clinic, and University Mednet's Clinic.

The City operates two enterprises, Briardale Greens golf course and the Waste Water Treatment Plant. Both are accounted for in the City's enterprise funds. The City of Euclid provides waste water treatment for the cities of Wickliffe, Willowick, Willoughby Hills, and parts of Richmond Heights, Ohio. Each of these communities depends in whole or in part on the City of Euclid's sanitary sewer system for transportation of their waste water to the City's waste water treatment plant.

The maintenance of the sanitary sewer system within each community is the responsibility of each individual community. The firm of DMG-Maximus, Inc. determines annually and independently the revenues required to provide waste water services and recommends a rate structure that would equitably recover these costs from the system users.

The City provides aggregation programs for city residents for both electricity and natural gas. Shell Energy is the natural gas provider and WPS Energy is the electricity provider. For those residents who choose not to participate in the aggregation programs, First Energy Corp and Dominion East Ohio Gas Company, both independent, publicly-owned utilities, provide electricity and natural gas, respectively. Cleveland Public Power, a municipally owned electric utility, serves a small portion of the community and the Regional Transit Authority, a county wide transit system provides bus service within the city.

## Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, establishes the criteria used for defining the financial reporting entity of a governmental unit. These principles provide that the reporting entity is comprised of the primary government, organizations, for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the general purpose financial statements to be misleading or incomplete. Pursuant to these principles, the City has included in this report all funds, account groups, agencies, boards and commissions for which the City is financially accountable. In addition, the activities of the Euclid Development Corporation (EDCOR) are included as a discretely presented component unit in the special revenue funds in this report as part of the primary government reporting entity because these activities are so intertwined with the primary government that they are, in substance, the same as the primary government. EDCOR provides administrative assistance to the City in conjunction with its Community Development Block Grant award and is an integral part of the City's economic development program.

## FACTORS AFFECTING FINANCIAL CONDITION

### Economic Condition and Outlook

City Council and the Administration are committed to protecting the level of services afforded all of the commercial and residential citizenry of the City of Euclid and to implement projects and programs designed to improve economic and operational efficiency of the City Government. Through effective financial management, the City is striving to maintain tax rates at current levels, an action that should continue to draw new businesses and homebuyers to the City.

The City currently maintains an Aa3 long-term bond rating with Moody's Investor Service. These ratings demonstrate the City's high level of performance as it relates to management and administration of government resources, effective debt management with moderately low levels, vibrant and diverse local economy, and strong finances.

The grip that the recession had on the Northeast Ohio/Euclid economy lessened ever so slightly during 2003. Income tax revenues continued to decline, but the bottom was in sight. The City continued to re-evaluate and implement new policies to better position itself for the recovery.

One such endeavor was a cooperative venture with the Greater Cleveland Partnership (formerly known as the Greater Cleveland Growth Association) in the review and recognition of the City's dealings with the business community. The ultimate goal was to enhance the City's practices and the ease of doing business in Euclid. A team of trained economic development professionals worked with the City to fine tune its economic development practices to be better conducive to job creation and business retention. The end result was a more efficient business process and the official designation of the City of Euclid as a "Business Friendly Community."

The Lincoln Electric company, a company that weathered the recession by reducing employment through attrition and early retirement, relocated its distribution center to its headquarters campus in the City. With the help of the Development Department, Lincoln combined its distribution center with its service center to create a new worldwide Corporate Customer Service Center. Lincoln invested \$25,375,000 in new machinery, equipment and inventory. Thirty-two new jobs were created representing a new payroll of approximately \$1.2 million. In addition, Lincoln brought the "now hiring" sign out of mothballs and is anticipating a vibrant 2004.

Several large vacant industrial/commercial properties changed ownership bringing hope for new adaptive uses. These sites, which include PMX, an over 80 acre industrial site, and its two neighbors the Euclid Square Mall and

K-Mart, are set in prime locations. With signs of a recovering economy, the City is primed to help market these properties. The City's overall industrial/commercial base began to also show signs of new life, and the City is poised to assist in this economic recovery.

With the recession hopefully a thing of the past and the new developments a sign of the present and future, Euclid is set to rebound and recreate a community dedicated economic development, family fulfillment and quality living.

### Future Projects and Programs

Two very important projects broke ground during 2003. The long discussed marina, boardwalk, fishing pier, and townhouse development is in the permitting process. The owner of the Harbor Crest and Waters Edge apartment complexes has already invested over \$25 million in the rehabilitation, property acquisition and development of the lead property for the marina. The plan calls for permitting to be done by the fall of 2004 with actual construction during the spring of 2005. With the completion of the marina/townhouse project and its anticipated increase in disposable income, a significant economic spin-off in commercial development is already being planned.

Also on the lakefront, a new single-family housing development project broke ground as well during the fall of 2003. The project consists of three detached single-family homes in the \$550,000 range and four clusters of two attached single-family homes in the range of \$350,000 bringing the total project to over \$4.4 million.

The City is also contributing to lakefront development by constructing a new Senior Center overlooking Lake Erie in the Euclid Park which is scheduled for completion in August 2004.

Construction of the Briardale Greens Golf Course clubhouse was delayed at the end of 2003 due to projected increases which were in excess of the original budget. A slightly smaller clubhouse than the original proposal is to be introduced in 2004 with construction expected to resume in August 2004 with completion projected for the start of the 2005 season. The newer clubhouse will have a larger pro shop, a grill room with seating and an outside pavilion for outings but will not have the banquet facilities originally proposed.

## FINANCIAL INFORMATION

### Summary of Accounting Policies and Budgetary Control

The City of Euclid's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds to be used are determined by GAAP and the number of individual funds established is determined by sound financial administration. Each fund is a separate accounting entity with its own self-balancing set of accounts, assets, liabilities, and fund balance. The City's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The City's Proprietary Funds are its Enterprise Funds that provide services to the general public, including utilities and recreation, and Internal Service Funds that provide services to City departments, divisions and other governments. The City also maintains Fiduciary Funds to account for assets held by the City as an agent or in a trust capacity for individuals, private organizations and other governments.

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. All governmental funds are accounted for using current financial resources-current assets and current liabilities-measurement focus. The modified accrual basis of accounting is utilized for governmental funds. Revenues are recognized in the accounting period when they become both measurable and available. Expenditures are recognized when the liability is incurred, if measurable, except for interest on general obligation debt, which is recognized when due.

The measurement focus of the City's proprietary and internal service funds is on the flow of total economic resources. The accrual basis of accounting is utilized of the proprietary and internal service funds. Revenues are recognized when earned and expenses are recognized when incurred.

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available), and encumbrances are included as expenditures rather than included in fund balances.

For the year ended December 31, 2003, the City changed its financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements and Management' Discussion and Analysis for State and Local Governments*. Accordingly, government-wide financial statements, which include all governmental and proprietary funds, are presented on the full accrual basis of accounting. As part of the implementation of GASB Statement No. 34, the City has opted to fully implement retroactive infrastructure reporting. In doing so, the historical cost of infrastructure assets (retroactive to 1980) is included as part of the governmental capital assets. Thus, the depreciated value of construction costs for the roadway network, including streets, sidewalks, curbs and gutters, guard rails, traffic lights, signals, parking meters and the bridge network is reported in the government-wide statement of net assets. In conjunction with the implementation of GASB 34, the City has also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which rescinds some and modifies other financial statement disclosure requirements.

The City's budgeting process is governed by Ohio law and is divided between the City's Mayor and Finance Director (who prepares the tax budget), Council, the Cuyahoga County Budget Commission (consisting of the County Auditor, County Treasurer and County Prosecutor) and the County Auditor. Major documents associated with budget preparation include: the Cuyahoga County Tax Budget, the Certificate of Estimated Resources (filed with the Cuyahoga County Auditor) and the Appropriation Ordinance. All budget documents are prepared in compliance with the budgetary basis of accounting. Both the Certificate of Estimated Resources and the Appropriation Ordinance are subject to revision and amendment throughout the year; both are subject to the restriction that current appropriations cannot exceed estimated resources as disclosed on the Certificate of Estimated Resources. In accordance with State law, all funds, with the exception of agency funds, are legally required to be budgeted and appropriated. Council controls appropriations at the fund level for all funds. Modifications or amendments to control levels in the Appropriation Ordinance require Council approval; internal City financial policies permit fund transfers within control levels with approval by the Mayor and Finance Director. The Cuyahoga County Auditor must certify that the City's appropriation measure does not exceed the amounts set forth in the County Budget Commission's Certificate of Estimated Resources.

The City employs an encumbrance system documenting purchase commitment amounts prior to generation and release of official City purchase orders. Purchasing practices within the City require departmental review and authorization of all purchase requisitions. Where applicable, proposed purchases in excess of administrative approval limits are subject to competitive bid requirements of Council and are awarded subsequent to approved legislation authorizing the procurement of goods or services. The Finance Director certifies all purchase orders for availability of funds and the estimated expenditure is encumbered against the appropriate departmental or fund appropriation. These encumbrances are reported as a reservation of fund balance at December 31, 2003. Unencumbered appropriations lapse at year-end and become available for future appropriations.

#### Internal Accounting and Reporting Control

The Mayor and administrators are responsible for implementing an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure ensures that accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable assurance that

these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management. All internal controls are designed within the above framework. Accordingly, we believe the City's system of internal accounting controls is adequate to safeguard assets and provide reasonable assurance of proper recording of transactions.

The City of Euclid receives federal financial assistance through various federal grant programs. An audit in accordance with the Single Audit Act of 1984, and Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, and *Government Auditing Standards*, issued by the Comptroller General of the United States has been performed for the fiscal year ended December 31, 2003. The required reports on supplementary information, compliance, and internal controls along with various supplementary schedules are included in a separate report.

### Cash Management

The City believes that appropriate cash management activities are integral to the City's overall financial well being. Forecasting of receipts and expenditures, cash budgeting and on-going variance analysis allow prudent optimization of investment maturities and interest income.

The primary objective of the City's investment activity is the protection of investment principal. With that in mind, the City's investment practice attempts to maximize earnings while maintaining liquidity necessary to meet day to day financial obligations. In addition to the security of the investment, a major consideration is the timing of needed cash to pay City liabilities. Cash resources of all City funds are combined for maximum return and invested in accordance with the Ohio Revised Code. Allowable deposits and investments include certificates of deposit, savings accounts, State Treasurer's Investment Pool (STAROhio), manuscript bonds, U.S. Treasury Notes, federal agency securities, and repurchase agreements.

### Risk Management

In 1988, the City undertook and implemented its own self-funded insurance plan that covers all areas of Risk Management, including general liability and vehicle coverage. The City has traditional premium based coverage on property and large equipment. The City instituted a medical self-insurance program in 1989 designed to provide city employees with maximum health care benefits while controlling the increasing cost of health insurance. Individual funds are charged for the per-capita cost of specific claims and administration. The level of risk assumed is limited by the City's purchase of specific stop-loss coverage per employees. A detailed listing of the insurance coverage carried by the City can be found in Table 20 in the Statistical Section of this report.

The City participates in a retrospective rating program for workers' compensation insurance. The program was initiated in conjunction with various safety and loss control programs designed to reduce the level of risk. Under the retrospective rating program, the City agrees to pay an administrative premium based on a percentage of gross payroll from the previous year, which is a fraction of the premium it would normally pay, while accepting the responsibility of reimbursing workers' compensation claims as they come due. The City expects to realize a reduction in workers' compensation costs through this plan, not only through lower initial premiums, but also from the cash flow accumulation the City realizes. The level of risk assumed by the City is limited to a maximum of two times the actual annual premium.

### Pension Obligations

The employees of the city belong to one of the two state sponsored pension systems. Police and Fire are members of the Ohio Police and Fire Pension Fund ("OPFPF"). All other employees are members of the



Public Employees Retirement System of Ohio ("PERS"). Both PERS and OPFPF are cost sharing multiple employer public retirement systems. More detailed information on both pension systems can be found in the notes to the financial statements in the Financial Section of this report.

## OTHER INFORMATION

### Independent Audit

In accordance with Ohio law, annual independent audits are required to be performed on all financial operations of the City. The accounting firm of Ciuni & Panichi, Inc. performed the 2003 audit. The independent accountants' unqualified opinion has been included in this report. The administration plans to continue this audit procedure as required by law as part of the preparation of a Comprehensive Annual Financial Report. The annual audit and management letter submitted by the independent public accounting firm provides information to the City to enable it to maintain and strengthen the City's accounting and budgeting controls.

### Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Euclid for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2002. This was the twenty-first (21<sup>st</sup>) consecutive year the City of Euclid has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the Government Finance Officers Association (GFOA) to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. A special thanks to Mr. Robert Gliha for his narrative expressing the business and economic outlook for the City of Euclid Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Euclid's finances.

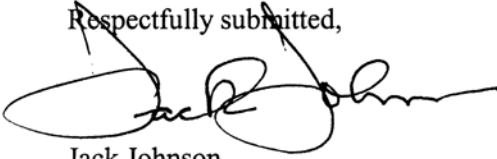
## POSTSCRIPT

The publication of this comprehensive annual financial report is indicative of the City's commitment to provide significantly enhanced financial information and accountability to the citizens, its elected officials, City management and investors. In addition, recipients of this report will include state and federal officials, university students, schools, libraries, newspapers, investment banking firms, banks and rating agencies. A copy of this report will be made available to any person or organization requesting it.

We would like to emphasize that our administration policy pertaining to financial information is a continual

open book policy for all residents, investors and interested parties, so that they may have a greater awareness of the financial transactions and statistics of our City, known as the "City of Superior Services", Euclid, Ohio.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jack Johnson". The signature is fluid and cursive, with a large initial "J" and "H".

Jack Johnson  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Euclid,  
Ohio

For its Comprehensive Annual  
Financial<sup>xiii</sup> Report  
for the Fiscal Year Ended  
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



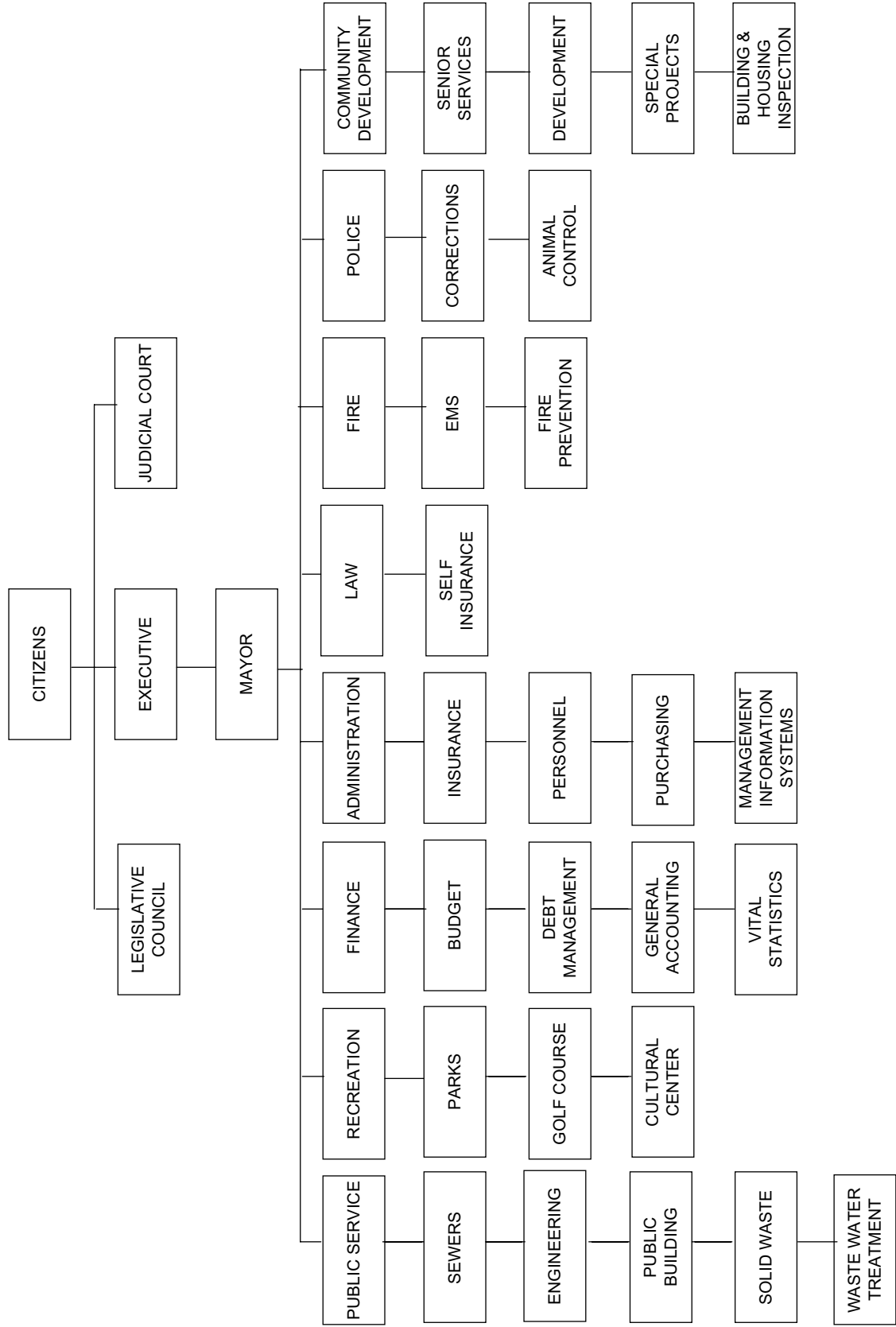
President

Executive Director

# CITY OF EUCLID

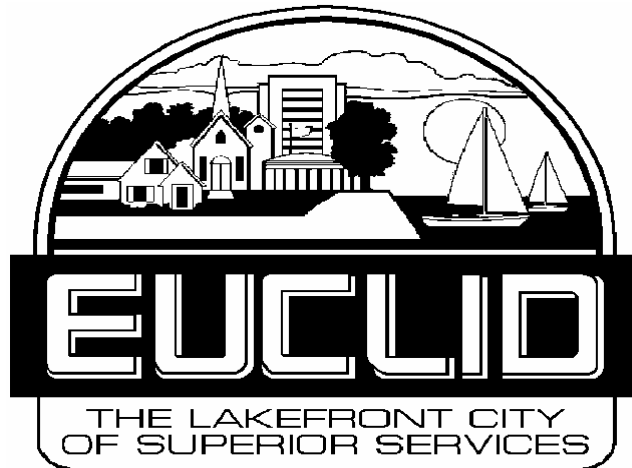
## Organizational Chart

December 31, 2003



**CITY OF EUCLID, OHIO**  
**"A City of Superior Services"**

**Mayor**  
**BILL CERVENIK**



**Directors & Chiefs**

CHRIS FREY - *Law*

HANK GULICH - *Public Service*

JACK JOHNSON – *Finance & Administration*

KATHY WILL – *Recreation*

BOB GLIHA - *Community Development (Acting)*

CHIEF DAVID MAINE - *Police*

DEBORAH LEBARRON - *Judge Municipal Court*

CHIEF MICHAEL DWORNING - *Fire*

**Euclid City Council**

JERRY SUSTARSIC - *President of Council*

KIRSTEN HOLZHEIMER-GAIL - *Ward I*

HUGH DALY - *At-Large*

DARYL LANGMAN - *Ward II*

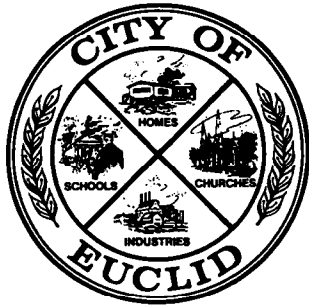
PATRICK DELANEY - *At-Large*

SALLY A. HUFNAGLE - *Ward III*

CHARLENE MANCUSO - *At-Large*

CHRISTOPHER GRUBER - *Ward IV*

TONY P. SUSTARSIC - *At-Large*



**CITY OF EUCLID, OHIO  
FINANCIAL SECTION**

## Independent Auditors' Report

Members of the City Council  
Euclid, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Euclid as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Euclid's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Euclid, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statements No. 34.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2004 on our consideration of the City of Euclid's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members of the City Council  
Euclid, Ohio

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City of Euclid's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund financial statements to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
June 22, 2004



**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

---

As management of the City of Euclid (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Euclid for the fiscal year ended December 31, 2003. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 30.

### **Financial Highlights**

Key financial highlights for 2003 are as follows:

- The City's net assets increased as a result of this year's operations. Net assets of our business-type activities increased by \$1,058,181 or 3.08%, net assets of our governmental activities also increased by \$770,251 or 2.84%.
- General revenues and transfers accounted for \$31,863,327 in revenue or 77.42% of all governmental activities revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$9,290,798 or 22.58% of total revenues of \$41,154,125.
- The City had \$13,133,791 in expenses related to business-type activities; a total of \$13,414,633 was offset by program specific charges for services, grants and contributions. General revenues include property taxes and interest earnings of \$777,339. Total revenues were adequate to provide for these programs by \$1,058,181 resulting in an increase to net assets from \$34,374,655 to \$35,432,836.
- The City's major governmental fund was the General Fund. The General Fund had \$30,305,431 in revenues and other financing sources and \$31,823,652 in expenditures and other financing uses. The General Fund's fund balance decreased \$1,518,221 from \$5,716,272 to \$4,198,051.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements, which begin on page 17, are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial health is improving or deteriorating

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

---

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City principally include: general government; public service; public safety; community development; public health; parks and recreation; and economic development. The business-type activities of the City principally include waste water treatment and the golf course operations.

The government-wide financial statements can be found starting on page 17 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund; debt service fund; and the capital bond and note construction fund which are considered to be major funds. Data from the other 7 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund, and for special revenue, debt service, capital projects, enterprise, and internal service funds. The general fund budgetary comparison has been provided as a separate financial statement to demonstrate compliance with this budget.

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

---

The basic governmental fund financial statements can be found starting on page 20 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City used enterprise funds to account for its waste water treatment facility, sewer maintenance, and golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally throughout the City's various functions. The City uses internal service funds to account for its self insurance and worker's compensation reserve functions. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the waste water treatment facility and the golf course, both of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25 to 28 of this report

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 30 of this report.

### **Government-Wide Financial Analysis**

This is the first year for the City in implementing Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis section. Since this is the first year of implementing the new standard, comparative data is not available. In future years, comparative data will be presented. Information regarding the government-wide net assets of the City is presented in the following table.

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

Summary Statement of Net Assets  
as of December 31, 2003

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current and Other Assets	\$ 32,616,462	\$ 10,785,430	\$ 43,401,892
Capital Assets, Net	<u>50,649,951</u>	<u>51,048,889</u>	<u>101,698,840</u>
<i>Total Assets</i>	<u>83,266,413</u>	<u>61,834,319</u>	<u>145,100,732</u>
<b>Liabilities</b>			
Current and Other Liabilities	18,601,440	3,825,404	22,426,844
Long-Term Liabilities:			
Due Within One Year	3,090,843	1,669,153	4,759,996
Due in More than One Year	<u>33,726,251</u>	<u>20,906,926</u>	<u>54,633,177</u>
<i>Total Liabilities</i>	<u>55,418,534</u>	<u>26,401,483</u>	<u>81,820,017</u>
<b>Net Assets</b>			
Invested in Capital Assets, net of related debt	16,919,428	28,646,313	45,565,741
Restricted:			
Debt Service	2,764,898	-	2,764,898
Other Purposes	1,253,520	-	1,253,520
Unrestricted	<u>6,910,033</u>	<u>6,786,523</u>	<u>13,696,556</u>
<i>Total Net Assets</i>	<u>\$ 27,847,879</u>	<u>\$ 35,432,836</u>	<u>\$ 63,280,715</u>

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$63,280,715 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets 72.00% reflects its investment in capital investments (e.g. land, land improvements, buildings, infrastructure, furniture, fixtures and equipment), net of accumulated depreciation, less any related, still outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets 6.35% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$13,696,556 may be used to meet the City's ongoing obligations to citizens and creditors.

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

Since this is the first year of implementing the new standard, comparative data is not available. In future years, comparative data will be presented. Changes in net assets for the current fiscal year are reflected in the table below and correspond to the Statement of Activities. The table indicates that total revenues exceeded total expenses by \$1,828,432.

**Change in Net Assets**  
**For Fiscal Year Ended December 31, 2003**

	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 7,263,058	\$ 13,164,145	\$ 20,427,203
Operating Grants and Contributions	502,101	-	502,101
Capital Grants and Contributions	1,525,639	250,488	1,776,127
General Revenues:			
Property Taxes	9,514,574	776,352	10,290,926
Municipal Income Tax	18,311,962	-	18,311,962
Grants and Entitlements	3,540,576	-	3,540,576
Investment Income	257,951	987	258,938
Loss on Sale of capital Assets	(48,192)	-	(48,192)
<i>Total Revenues</i>	<u>40,867,669</u>	<u>14,191,972</u>	<u>55,059,641</u>
<b>Program Expenses</b>			
General Government	12,180,369	-	12,180,369
Public Safety	19,842,460	-	19,842,460
Streets and Highways	1,432,019	-	1,432,019
Refuse Collection and Disposal	1,848,221	-	1,848,221
Public Health and Welfare	287,591	-	287,591
Culture and Recreation	1,914,797	-	1,914,797
Community Development	965,181	-	965,181
Interest and Fiscal Charges	1,913,236	-	1,913,236
Waste Water		12,131,189	12,131,189
Golf Course		716,146	716,146
<i>Total Expenses</i>	<u>40,383,874</u>	<u>12,847,335</u>	<u>53,231,209</u>
<i>Change in Net Assets before Transfers</i>	483,795	1,344,637	1,828,432
Transfers	286,456	(286,456)	-
<i>Increase (Decrease) in Net Assets</i>	<u>\$ 770,251</u>	<u>\$ 1,058,181</u>	<u>\$ 1,828,432</u>

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

***Governmental Activities***

Several revenue sources fund our governmental activities with income tax revenue being the largest source. The City levies a municipal income tax of 2.85 percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100 percent on the income earned outside of the City and paid to another municipality. On a full accrual basis, the City received \$18,311,962 in income tax collections or 44.76% of total 2003 revenue. The second most significant source of revenue is property tax revenue of \$9,514,574 or 23.25% of total 2003 revenue.

A summary of governmental activity expenses and the net cost of providing these services (excluding general revenues) is presented below.

**Governmental Activities**

	<u>Total Cost of Services 2003</u>	<u>Net Cost of Services 2003</u>
General Government	\$ (12,180,369)	\$ (10,105,687)
Public Safety	(19,842,460)	(17,073,603)
Streets and Highways	(1,432,019)	(987,867)
Refuse Collection and Disposal	(1,848,221)	(764,835)
Public Health and Welfare	(287,591)	(201,861)
Culture and Recreation	(1,914,797)	(1,164,214)
Community Development	(965,181)	1,118,227
Interest and Fiscal Charges	(1,913,236)	(1,913,236)
<i>Total Expenses</i>	<u><u>\$ (40,383,874)</u></u>	<u><u>\$ (31,093,076)</u></u>

The negative amounts indicated in this table should not be construed as something bad; they are merely indicative of whether a particular function of government relies on general revenues for financing or is a net contributor of resources to the general government. In future years, this information will be more meaningful as prior year data will allow an assessment of whether a particular program is relying more or less on general revenues. Also, the City will be able to use the information to determine if citizens are receiving a good value in public services in return for tax dollars and user fees.

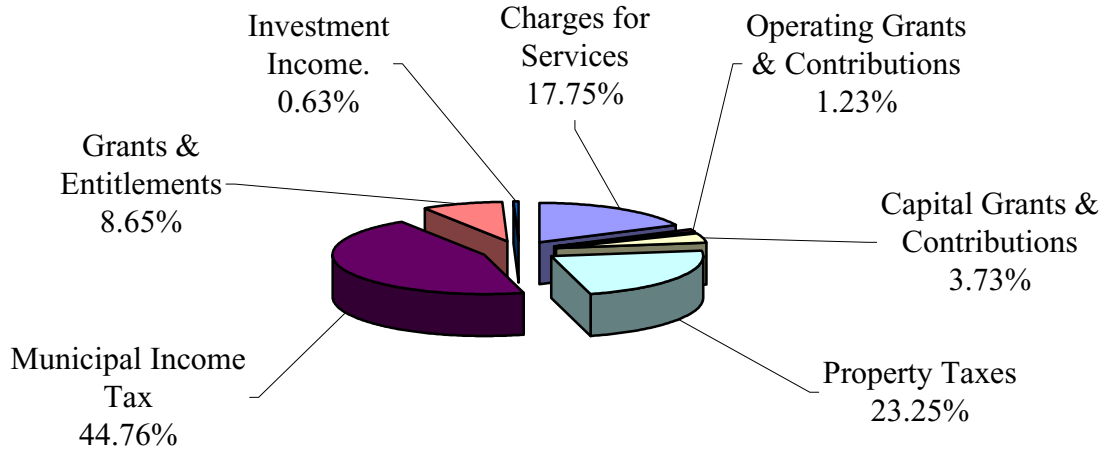
Public safety expenses totaled \$19,842,460 or 49.13% of total 2003 expenses. A significant portion of these expenses can be attributed to salaries, wages, and employee benefits for police officers and firefighters. As of December 31, 2003, the City employed 91 full time police officers and 85 full time firefighters. Other significant expenses include public service expenses which totaled \$12,180,369 or 30.16% of the total 2003 expenses.

The following charts present a summary of revenues and expenditures for governmental activities for the year ended December 31, 2003.

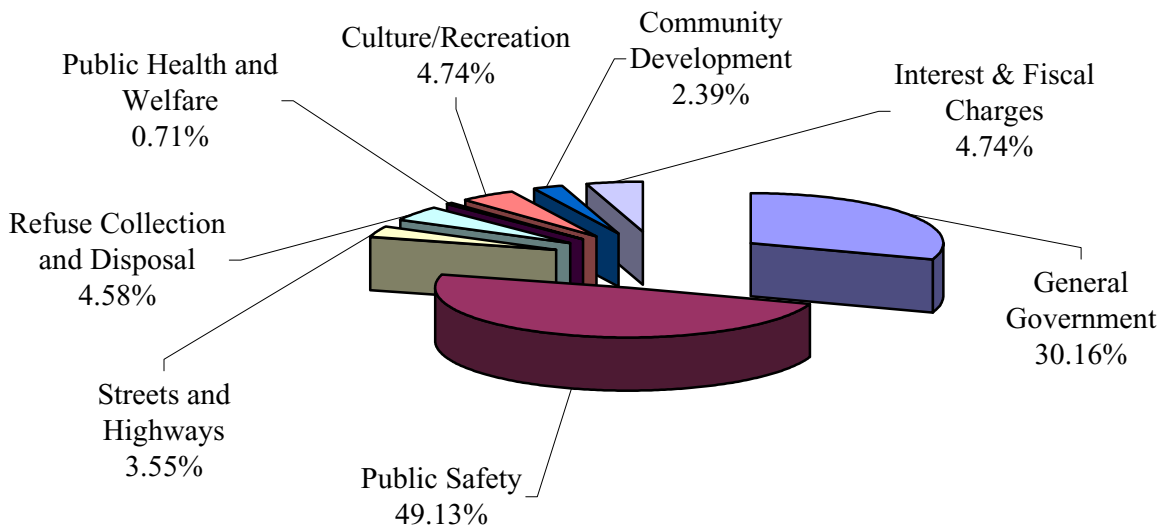
**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

---

**Revenues by Source - Governmental Activities**



**Expenditures by Function - Governmental Activities**



**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

---

***Business-type Activities***

Business-type activities are principally accounted for in the City's enterprise funds. The City operates two principal Enterprise Funds which include a public golf course (Briardale Greens) and a waste water treatment plant. The operating results of these two enterprise funds are discussed below.

*Waste Water Treatment Plant:* The Waste Water Treatment Fund accounts for the operation of the City's sanitary sewer and waste water treatment system which not only services Euclid, but several other surrounding communities. The firm of DMG-Maximus, Inc., to date, has completed their eleventh (11<sup>th</sup>) rate study analysis concerning the adequacy of user rates. Upon their recommendations, user fees rate increases went into effect April 1, 2000 for all users. The rate increase was earmarked to fund the United States Environmental Protection Agency court mandated projects and provide the necessary operating funds for this enterprise fund. DMG-Maximus, Inc. has been retained to evaluate the User Charge System annually.

The waste water treatment plant operating revenue in 2003 amounted to \$12,383,945. This represents a 19.86% increase from 2002 operating revenue of \$10,331,984. Operating expenses for the waste water treatment plant were \$12,131,189 an increase of 35.08% compared to 2002.

*Briardale Greens Golf Course:* Briardale Greens Golf Course is a public golf course built upon land that was the site of a World War II housing project which is situated on the North side of the City. The golf course continues to operate with a surplus making it possible to continue renovations to the golf course and the clubhouse. A new clubhouse is projected to be started in August of 2004 with completion by the start of the season in 2005.

The golf course 2003 operating revenue amounted to \$792,158. This represents a 1.61% decrease from 2002 operating revenue of \$805,126. Operating expenses for the golf course were \$714,574, a decrease of 7.66% compared to 2002

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,039,209, a decrease of \$2,106,750, in comparison with the prior year. The unreserved amount of \$2,923,550 is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period 2) to reserve for loans receivable 3) to pay debt service, and 4) for a variety of other restricted purposes.



**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

---

The General Fund is the primary operating fund of the City and traditionally accounts for most of the general governmental revenue and expenditures. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$2,288,627 while the total fund balance was \$4,198,051. As a measure of the general funds liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures plus transfers out. Unreserved fund balance represents 7.25% of total general fund expenditures, while total fund balance represents approximately 13.30% of that same amount.

*Analysis of General Fund Revenues*

General fund revenues and other sources total \$30,305,431 in 2003, an increase of approximately .48% from 2002. A discussion of each of the major types of general fund revenue follows.

*Municipal Income Taxes*

Ohio law authorizes the levy of a municipal income tax at a rate not to exceed 1% by an act of council, solely, without a vote of the electors. Municipal income taxes at a rate in excess of 1% must first be approved by a vote of the electors and be for a specified purpose. The City's municipal income tax rate has slowly increased to its present rate of 2.85%. On July 1, 1968, the tax rate levied by the City and approved by council was increased to 1% per annum. The tax rate was increased from 1% to 1.5% per annum based upon a vote of the electors on June 7, 1977. On July 1, 1982, after a vote of the electors, an additional .5% was levied to raise the tax rate to 2% and then in 1994 the electors voted in an increase of .85% joint tax to be split between the City and the Euclid Board of Education. Presently, the .85% increase in the income tax rate is allocated .47% to the Euclid Board of Education and .38% to the City of Euclid. The 2.0% remaining is solely for the City of Euclid.

The City's income tax is levied upon the net income of corporations and other business entities and on the wages, salaries and compensation of individuals. The income tax is collected and administered on behalf of the City by the Central Collection Agency, a regional council of governments organized under Ohio law.

*Property Taxes*

Taxes collected from real property in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Taxes collected from tangible personal property in one calendar year are levied in the same calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year, and at the rates determined in the preceding year. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year. Under Ohio law tangible personal property used in business (except for the public utility business) is assessed at 25% of true value (in general, true value is net book value).

The "assessed valuation" of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate multiplied by the assessed value.

The details of property tax valuations and tax rates relating to collections for the last three years can be found in the following table:

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

Tax Rates (Per \$1,000 of assessed Valuation)

<u>Purpose</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund	\$ 6.72	\$ 6.72	\$ 6.72
Recreation Operating	1.30	1.30	1.30
Bond Retirement	3.88	3.88	3.88
Capital Improvements	1.70	1.70	1.70
Sewers	2.00	2.00	2.00
Totals	<u>\$ 15.60</u>	<u>\$ 15.60</u>	<u>\$ 15.60</u>
Assessed Valuation	<u>\$ 865,435,613</u>	<u>\$ 826,000,544</u>	<u>\$ 828,468,557</u>

*State Local Government Funds and Other Shared Revenues*

State Local Government Funds and other shared revenues include taxes levied and collected by the State of Ohio or counties and partially redistributed to the City and other political subdivisions. Other shared revenues include state income, sales, corporate franchise, public utility, estate, and cigarette taxes as well as liquor fees. State Local Government Fund and other shared revenues have declined approximately 2.4% in 2003 due to the State budget cuts to the State Local Government Funding. Since 1993, the State Local Government Fund (“LGF”) and Local Government Assistance Fund (“LGRAF”) have been the City’s largest source of non-tax general fund revenue. Through these funds, Ohio subdivisions share in a portion of the State’s collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amount in the funds has been capped at specific levels.

Pursuant to statutory law in Ohio, State LGF revenues are divided into county and municipal portions. The county portion, the larger of the two, is distributed to each of the State’s 88 counties and is allocated based upon a statutory formula utilizing county population and county municipal property values. Once received by a county, the funds can either be distributed to all subdivisions using the statutory formula or the county and its subdivisions may agree upon an alternate method for allocating the funds. Cuyahoga County and its recipient communities have chosen the latter method which is comprised of a base allocation and an excess allocation. The excess allocation takes into account such factors as assessed value per capita, per capita income, population density and the number of individuals receiving public assistance. The municipal portion of the LGF is distributed directly by the State to those municipalities that collect and income tax. A municipality receives its share of the funds based upon its percentage of total municipal income taxes collected throughout the state in a given year.

The LGRAF, which was created in 1989, is distributed to all counties based upon population. Either the statutory allocation method or an agreed upon alternative method is used to apportion the funds. Cuyahoga County allocates LGRAF funds using the same method as is used to distribute LGF monies.

LGRAF funding has fluctuated over the course of the last few years. Distributions from the State of Ohio and Cuyahoga County (as a conduit between the State and the City) have decreased since 2000.

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

*Analysis of General Fund Expenditures*

General fund expenditures and other uses totaled \$31,823,652 in 2003, a decrease of 9.79% from 2002. The amount of expenditures and other uses by function on a GAAP basis, including the increases (decreases) over the prior year, are shown in the following table:

	Expenditures and Other Uses					
	Actual 2003	% of Total	Actual 2002	% of Total	Increase (Decrease) Over 2002	% Change
<i>Current:</i>						
General Government	\$ 9,783,349	30.74	\$ 10,153,387	28.78	\$ (370,038)	-3.64
Public Safety	18,341,798	57.64	19,831,262	56.21	\$(1,489,464)	-7.51
Refuse Collection and Disposal	1,733,196	5.45	1,762,594	5.00	(29,398)	-1.67
Public Health and Welfare	199,086	0.63	445,574	1.26	(246,488)	-55.32
Culture and Recreation	784,664	2.47	987,648	2.80	(202,984)	-20.55
Community Development	501,357	1.58	806,731	2.29	(305,374)	-37.85
Debt Service	215,612	0.68	215,975	0.61	(363)	-0.17
Transfers Out	264,590	0.83	1,074,563	3.05	(809,973)	-75.38
<i>Total Expenditures and Other Financing Uses</i>	<u>\$31,823,652</u>		<u>\$ 35,277,734</u>		<u>\$(3,454,082)</u>	-9.79

This reduction in general fund expenditures was accomplished through staffing reductions. This was necessary in the early part of 2003 in order to meet anticipated contractual pay increases and increasing health care and benefit costs. Further decreases in expenditures were the results of certain cost cutting measures and effective budget management by each of the department managers.

**Proprietary Funds.** The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets of the Waste Water Treatment plant and the Briardale Greens Golf Course were \$6,567,372 and \$219,151, respectively, at December 31, 2003. The change in net assets for each of the funds totaled \$731,681 and \$326,500, respectively, during 2003. Other factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

***General Fund Budgetary Highlights***

The difference between the original and the final amended budget including operating transfers out, (see page 24), was \$189,131, which represents less than a 0.6 percent increase in appropriations.

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

For the general fund, original budgeted revenues were \$31,422,273; final budget amounts were \$31,226,421; and actual revenue collections were \$30,962,130. The majority of the decrease in actual revenue over the original and final budgeted amounts was due to the decrease in income tax collections. The original budget included a conservative estimate of \$19,161,571 while actual income tax revenue was \$18,637,925. The City's ending unencumbered cash balance in the general fund was \$151,640 above the final budgeted amount.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$45,565,741 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; buildings; infrastructure; furniture, fixtures and equipment; and construction in progress. A summary of the City's capital assets at December 31, 2003 is reflected in the table which follows.

Capital Assets at December 31, 2003  
(Net of Accumulated Depreciation)

	Governmental Activities	Business Type Activities	Total
Land	\$ 9,098,667	\$ 7,387,526	\$ 16,486,193
Land Improvements	465,462	341,008	806,470
Buildings and Improvements	5,238,635	5,318,294	10,556,929
Machinery and Equipment	3,589,090	485,810	4,074,900
Infrastructure	31,140,070	37,265,764	68,405,834
Construction in Progress	1,118,027	249,304	1,367,331
<i>Totals</i>	\$ 50,649,951	\$ 51,047,706	\$ 101,697,657

Major events during the current fiscal year affecting the City's capital assets included the following:

- Investment of \$2,500,000 in the redesigning of the Euclid Park Clubhouse to become the new Euclid Senior center.
- Investment of \$1,200,000 for the construction of a new clubhouse at Briardale Greens golf course.
- Investment of \$1,200,000 in the Beverly Hills and East 260<sup>th</sup> Street projects which were also funded by State Issue 2.

Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 6.

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

*Debt:* The City's outstanding General Obligation debt is currently rated "Aa3" by Moody's Investors Service. This rating was confirmed in 2003 with the City's last long-term bond issue. This high investment grade rating is attributed to the City's conservative financial management, diverse tax base and moderate debt position. Maintaining its superior credit rating enables the City to obtain short term and long term financing at the lowest possible interest rates. As of December 31, 2003, the City's General Obligation debt totaled \$59,319,104.

A summary of outstanding long-term debt at December 31, 2003 follows.

Outstanding Debt  
 General Obligation and Revenue Bonds  
 as of December 31, 2003

	Governmental Activities	Business Type Activities	Total
General Obligation Bonds	\$ 27,440,000	\$ 1,765,000	\$ 29,205,000
Development Revenue Bonds	1,695,000	-	1,695,000
Special Assessment Bonds	1,500,000	-	1,500,000
OPWC Loans	2,534,696	4,288,338	6,823,034
OWDA Loans	-	16,042,064	16,042,064
Capital Lease Obligations	560,826	480,677	1,041,503
Accrued Compensated Absences	3,086,572	-	3,086,572
<i>Totals</i>	<u>\$ 36,817,094</u>	<u>\$ 22,576,079</u>	<u>\$ 59,393,173</u>

The special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. The various improvement notes will be paid out of the bond retirement fund. See Note 7 in the financial statements for more information regarding the City's outstanding debt.

**Debt Capacity:** The City is well within statutory limitations for both voted and not voted debt. The computation of the legal debt margins at December 31, 2003 is included in the Statistical Section of this report under the heading "Debt Statistics" along with other related computations and ratios relevant to the City's note and bonded debt.

**City of Euclid**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
*(Unaudited)*

---

The ratio of general bonded debt to assessed valuation and the amount of net bonded debt per capita provide useful information concerning the level of the City's debt to management and investors. The information as of December 31, 2003 for the City of Euclid is as follows:

	<u>Amount</u>	<u>Ratio of Net Bonded Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
General Obligation Debt (Bonded)	\$32,400,000	4.00%	\$614.60

**Factors Expected to Affect the City's Future Financial Position or Results of Operations**

The City of Euclid, like all municipalities both local and national, continues to face the challenge of economic recession. Basic operating costs continue to rise due to negotiated salary increase, higher benefit costs, and federal and state mandates being placed upon municipalities at the same time federal and state funding is being reduced.

The City of Euclid has seen significant reductions in funding from the Federal and State governments. We are combating these reductions by stimulating economic and community development throughout our business districts and neighborhoods.

In 2004 the City of Euclid issued \$2 million of General Obligation Notes to cover the costs of increasing health care costs.

For the first time ever starting in 2004, the City has begun to project budgets over a three year period. The initial report issued to council in June 2004, will help to begin long-term planning for general operations as well as capital projects.

**Contacting the City's Financial Department**

This financial report is designed to provide a general overview of the City's finance and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jack Johnson, Finance Director at the City of Euclid, 585 East 222<sup>nd</sup> Street, Euclid, Ohio 44123, 216-289-2850, or e-mail at [jjohnson@ci.euclid.oh.us](mailto:jjohnson@ci.euclid.oh.us).

# City of Euclid, Ohio

## Statement of Net Assets

**December 31, 2003**

	Primary Government		Component Unit	
	Governmental Activities	Business-Type Activities	Total	EDCOR
<b>Assets:</b>				
Cash and cash equivalents	\$ 11,415,166	\$ 6,599,152	\$ 18,014,318	\$ -
Cash and cash equivalents with fiscal agent	-	-	-	607,818
Accounts receivable, net of allowance for doubtful accounts	821,315	3,418,212	4,239,527	-
Interest receivable	92,807	47	92,854	-
Intergovernmental receivable	2,890,142	28,776	2,918,918	-
Special assessments receivable	2,803,924	-	2,803,924	-
Notes receivable	1,787,804	-	1,787,804	1,508,706
Materials and supplies inventory	252,206	47,235	299,441	-
Taxes receivable	12,553,098	692,008	13,245,106	-
Non - depreciable capital assets	10,216,694	7,638,014	17,854,708	-
Depreciable capital assets, net	<u>40,433,257</u>	<u>43,410,875</u>	<u>83,844,132</u>	<u>-</u>
Total assets	<u>83,266,413</u>	<u>61,834,319</u>	<u>145,100,732</u>	<u>2,116,524</u>
<b>Liabilities:</b>				
Accounts payable	492,691	254,685	747,376	-
Claims payable	2,880,500	-	2,880,500	-
Accrued wages and benefits	1,901,878	411,862	2,314,702	1,957
Due to other governments	2,537,516	743,437	3,280,953	-
Accrued interest payable	210,757	622,155	832,912	-
Deferred revenue	5,679,136	593,265	6,272,401	-
Notes payable	4,898,000	1,200,000	6,098,000	-
Long-term liabilities:				
Due within one year	3,090,843	1,669,153	4,759,996	-
Due in more than one year	<u>33,726,251</u>	<u>20,906,926</u>	<u>54,633,177</u>	<u>-</u>
Total liabilities	<u>55,418,534</u>	<u>26,401,483</u>	<u>81,820,017</u>	<u>1,957</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	16,919,428	28,646,313	45,565,741	-
Restricted for:				
Debt service	2,764,898	-	2,764,898	-
Other purposes	1,253,520	-	1,253,520	-
Unrestricted	<u>6,910,033</u>	<u>6,786,523</u>	<u>13,696,556</u>	<u>2,114,567</u>
Total net assets	\$ <u>27,847,879</u>	\$ <u>35,432,836</u>	\$ <u>63,280,715</u>	\$ <u>2,114,567</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# City of Euclid, Ohio

## Statement of Activities

### For The Year Ended December 31, 2003

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Government activities:				
General government	\$ 12,180,369	\$ 2,074,682	\$ -	\$ -
Public safety	19,842,460	2,645,843	123,014	-
Streets and highways	1,432,019	444,152	-	-
Refuse collection and disposal	1,848,221	1,083,386	-	-
Public health and welfare	287,591	85,730	-	-
Culture and recreation	1,914,797	660,437	-	90,146
Community development	965,181	268,828	379,087	1,435,493
Interest	<u>1,913,236</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>40,383,874</u>	<u>7,263,058</u>	<u>502,101</u>	<u>1,525,639</u>
Business type activities:				
Waste water	12,131,189	12,383,945	-	-
Golf	<u>716,146</u>	<u>780,200</u>	<u>-</u>	<u>250,488</u>
Total business type activities	<u>12,847,335</u>	<u>13,163,945</u>	<u>-</u>	<u>250,488</u>
Total primary government	\$ <u>53,231,209</u>	\$ <u>20,427,003</u>	\$ <u>502,101</u>	\$ <u>1,776,127</u>
Component unit:				
EDCOR	\$ <u>40,039</u>	\$ <u>78,709</u>	\$ <u>-</u>	\$ <u>-</u>

#### General revenues:

Property taxes and, levied for:

General purposes

Debt service

Other purposes

Income tax levied for:

General purposes

Grants and entitlements not restricted to specific programs

Investment income

Loss on sale of fixed assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The Accompanying Notes are an Integral Part of These Financial Statements



<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit EDCOR</u>
\$ (10,105,687)	\$ -	\$ (10,105,687)	\$ -
(17,073,603)	-	(17,073,603)	-
(987,867)	-	(987,867)	-
(764,835)	-	(764,835)	-
(201,861)	-	(201,861)	-
(1,164,214)	-	(1,164,214)	-
1,118,227	-	1,118,227	-
<u>(1,913,236)</u>	<u>-</u>	<u>(1,913,236)</u>	<u>-</u>
<u>(31,093,076)</u>	<u>-</u>	<u>(31,093,076)</u>	<u>-</u>
-	252,756	252,756	-
<u>-</u>	<u>314,542</u>	<u>314,542</u>	<u>-</u>
-	567,298	567,298	-
<u>(31,093,076)</u>	<u>567,298</u>	<u>(30,525,778)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>38,670</u>
3,868,351	-	3,868,351	-
3,102,471	-	3,102,471	-
2,543,752	776,352	3,320,104	-
18,311,962	-	18,311,962	-
3,540,576	-	3,540,576	-
257,951	987	258,938	5,250
(48,192)	-	(48,192)	-
<u>286,456</u>	<u>(286,456)</u>	<u>-</u>	<u>-</u>
<u>31,863,327</u>	<u>490,883</u>	<u>32,354,210</u>	<u>5,250</u>
770,251	1,058,181	1,828,432	43,920
<u>27,077,628</u>	<u>34,374,655</u>	<u>61,452,283</u>	<u>2,070,677</u>
\$ <u>27,847,879</u>	\$ <u>35,432,836</u>	\$ <u>63,280,715</u>	\$ <u>2,114,597</u>

# City of Euclid, Ohio

## Balance Sheet Governmental Funds

**December 31, 2003**

	General	Debt Service	Capital Bond and Note Construction	Nonmajor Governmental Funds	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,034,383	\$ 2,725,783	\$ 3,448,262	\$ 2,635,922	\$ 10,844,350
Taxes receivable	8,253,866	3,261,219	-	1,038,013	12,553,098
Accounts receivable, net of allowance for doubtful accounts	392,992	-	-	428,323	821,315
Interest receivable	46,721	45,695	258	98	92,772
Intergovernmental receivable	1,912,462	171,361	-	806,319	2,890,142
Special assessments receivable	-	2,621,669	-	182,255	2,803,924
Notes receivable	1,787,804	-	-	-	1,787,804
Interfund receivable	22,029	-	-	-	22,029
Materials and supplies inventory	81,725	-	-	170,481	252,206
Total assets	<u>\$ 14,531,982</u>	<u>\$ 8,825,727</u>	<u>\$ 3,448,520</u>	<u>\$ 5,261,411</u>	<u>\$ 32,067,640</u>
<b>Liabilities and fund balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 165,659	\$ -	\$ 16,616	\$ 310,416	\$ 492,691
Accrued wages and benefits	1,694,392	1,072	-	187,944	1,883,408
Due to other governments	2,121,945	5,508	-	402,904	2,530,357
Interfund payable	-	-	-	22,029	22,029
Deferred revenue	6,351,935	6,054,249	-	1,737,255	14,143,439
Accrued interest payable	-	-	44,197	14,310	58,507
Notes payable	-	-	3,700,000	1,198,000	4,898,000
Total liabilities	<u>10,333,931</u>	<u>6,060,829</u>	<u>3,760,813</u>	<u>3,872,858</u>	<u>24,028,431</u>
<b>Fund balances:</b>					
Reserve for encumbrances	39,895	-	2,756,666	279,088	3,075,649
Reserve for inventory	81,725	-	-	170,481	252,206
Reserved for notes receivable	1,787,804	-	-	-	1,787,804
<b>Unreserved:</b>					
Undesignated (deficit), reported in:					
General fund	2,288,627	-	-	-	2,288,627
Special revenue funds	-	-	-	982,576	982,576
Debt service fund	-	2,764,898	-	-	2,764,898
Capital projects funds	-	-	(3,068,959)	(43,592)	(3,112,551)
Total fund balance (deficit)	<u>4,198,051</u>	<u>2,764,898</u>	<u>(312,293)</u>	<u>1,388,553</u>	<u>8,039,209</u>
Total liabilities and fund balances	<u>\$ 14,531,982</u>	<u>\$ 8,825,727</u>	<u>\$ 3,448,520</u>	<u>\$ 5,261,411</u>	<u>\$ 32,067,640</u>

The Accompanying Notes are an Integral Part of These Financial Statements

## City of Euclid, Ohio

### Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

**December 31, 2003**

---

Total Governmental Funds Balances \$ 8,039,209

*Amounts Reported for Governmental Activities in the Statement  
of Net Assets are different because:*

Capital Assets Used in Governmental Activities are not Financial  
Resources and therefore are not reported in the Funds. 50,649,951

Other Long-Term Assets are not available to pay for current-  
period expenditures and therefore are deferred in the Funds.

Property and other taxes	\$ 972,734
Municipal income taxes	2,804,643
Special assessments	1,883,002
Intergovernmental	<u>2,803,924</u>

Total 8,464,303

Internal Service Funds are used by management to charge the  
costs of certain activities, such as insurance to individual funds.  
The assets and liabilities of the Internal Service Fund are  
included in Governmental Activities in the Statement of Net  
Assets. (2,336,239)

Long-Term Liabilities are not due and payable in the current  
period and are therefore not reported in the Funds.

Interest payable	(152,250)
General obligation bonds	(29,135,000)
Special assessment bonds	(1,500,000)
Loans payable	(2,534,696)
Capital lease payable	(560,827)
Compensated absences	<u>(3,086,572)</u>

(36,969,345)

*Net Assets of Governmental Activities* \$ 27,847,879

The Accompanying Notes are an Integral Part of These Financial Statements

# City of Euclid, Ohio

## Statement of Revenues, Expenditures and Changes In Fund Balances Governmental Funds

### For The Year Ended December 31, 2003

	<u>General</u>	<u>Debt Service</u>	<u>Capital Bond and Note Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Property taxes	\$ 21,843,023	\$ 3,102,471	\$ -	\$ 2,543,752	\$27,489,246
Intergovernmental	3,210,223	-	-	2,061,864	5,272,087
Charges for services	2,771,188	24,331	-	1,973,936	4,769,455
License, permit and inspection fees	436,977	-	-	-	436,977
Fines and forfeitures	1,339,464	-	-	104,074	1,443,538
Special assessments	-	167,383	50,844	14,037	232,264
Investment income	133,023	111,735	1,860	5,983	252,601
Rents and royalties	234,606	-	-	42,724	277,330
Other	34,691	-	6,206	208,014	248,911
Total revenues	<u>30,003,195</u>	<u>3,405,920</u>	<u>58,910</u>	<u>6,954,384</u>	<u>40,422,409</u>
Expenditures:					
Current:					
General government	9,783,349	2,702	16,983	177,422	9,980,456
Public safety	18,341,798	-	-	1,232,579	19,574,377
Streets and highways	-	-	-	1,819,574	1,819,574
Refuse collection and disposal	1,733,196	-	-	115,025	1,848,221
Public health and welfare	199,086	-	-	88,506	287,592
Culture and recreation	784,664	-	683,132	1,478,753	2,946,549
Community development	501,357	-	71,529	1,900,453	2,473,339
Debt Service:					
Principal retirement	70,000	2,200,000	-	427,510	2,697,510
Interest and fiscal charges	145,612	1,462,990	44,197	275,786	1,928,585
Total expenditures	<u>31,559,062</u>	<u>3,665,692</u>	<u>815,841</u>	<u>7,515,608</u>	<u>43,556,203</u>
Excess of revenues over (under) expenditures	<u>(1,555,867)</u>	<u>(259,772)</u>	<u>(756,931)</u>	<u>(561,224)</u>	<u>(3,133,794)</u>
Other financing sources (uses):					
Proceeds from sale of fixed assets	-	-	-	724,808	724,808
Transfers in	286,456	-	35,834	264,590	586,880
Transfers out	(264,590)	-	-	(35,834)	(300,424)
Inception of capital leases	15,780	-	-	-	15,780
Total other financing sources (uses)	<u>37,646</u>	<u>-</u>	<u>35,834</u>	<u>953,564</u>	<u>1,027,044</u>
Net change in fund balances	(1,518,221)	(259,772)	(721,097)	392,340	(2,106,750)
Fund balances at beginning of year, restated	<u>5,716,272</u>	<u>3,024,670</u>	<u>408,804</u>	<u>996,213</u>	<u>10,145,959</u>
Fund balances (deficit) at end of year	\$ <u>4,198,051</u>	\$ <u>2,764,898</u>	\$ <u>(312,293)</u>	\$ <u>1,388,553</u>	\$ <u>8,039,209</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# City of Euclid, Ohio

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

### For The Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (2,106,750)

*Amounts Reported for Governmental Activities in the Statement of Activities are different because:*

Governmental Funds report Capital Outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 3,020,560	
Depreciation	<u>(1,160,575)</u>	1,859,985

In the Statement of Activities, only the loss on the disposal of equipment are reported, whereas, in the Governmental Funds, the proceeds from the disposal increase financial resources. Thus, the change in Net Assets differs from the change in Fund Balance by the cost of the equipment. (48,192)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Property and other taxes	493,618	
Municipal income taxes	(156,328)	
Special assessments	(160,462)	
Intergovernmental	<u>322,017</u>	498,845

Other Financing Sources in the Governmental Funds that increase Long-Term Liabilities in the Statement of Net Assets. These sources were attributed to inception of capital lease. (15,780)

Repayment of Bond Principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. 2,697,510

Loan proceeds, reported through Intergovernmental Revenue, provide current financial resources to governmental funds, but has no effect on net assets. (25,794)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences	(3,243)	
Accrued interest on debt	<u>15,349</u>	18,592

Internal Service Funds are used by management to charge to costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service Fund is reported with Governmental Activities. (2,106,750)

*Change in Net Assets of Governmental Activities* \$ 770,251

The Accompanying Notes are an Integral Part of These Financial Statements

## City of Euclid, Ohio

### Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

#### For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 22,612,119	\$ 22,474,322	\$ 22,282,069	\$ (192,253)
Intergovernmental	3,402,138	3,378,966	3,350,213	(28,753)
Charges for services	2,976,897	2,956,621	2,931,462	(25,159)
License, permit and inspection fees	328,278	326,042	323,268	(2,774)
Fines and forfeitures	1,390,676	1,381,204	1,369,451	(11,753)
Investment income	168,637	167,488	166,063	(1,425)
Rents and royalties	221,843	220,333	218,457	(1,876)
Other	35,229	34,989	34,691	(298)
Total revenues	<u>31,135,817</u>	<u>30,939,965</u>	<u>30,675,674</u>	<u>(264,291)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	10,232,923	10,246,552	10,000,241	(246,311)
Public safety	18,483,564	18,738,325	18,800,005	61,680
Refuse collection and disposal	1,787,556	1,761,948	1,758,009	(3,939)
Public health and welfare	377,296	222,146	210,153	(11,993)
Culture and recreation	825,604	788,916	810,711	21,795
Community development	562,371	539,163	546,133	6,970
<b>Debt service:</b>				
Principal retirement	65,000	65,000	70,000	5,000
Interest and fiscal charges	152,000	148,806	145,612	(3,194)
Total expenditures	<u>32,486,314</u>	<u>32,510,856</u>	<u>32,340,864</u>	<u>(169,992)</u>
Excess of revenues over (under) expenditures	<u>(1,350,497)</u>	<u>(1,570,891)</u>	<u>(1,665,190)</u>	<u>(94,299)</u>
<b>Other financing sources (uses):</b>				
Transfers – in	286,456	286,456	286,456	-
Transfers – out	<u>(310,000)</u>	<u>(474,590)</u>	<u>(228,651)</u>	<u>245,939</u>
Total other financing sources (uses)	<u>(23,544)</u>	<u>(188,134)</u>	<u>57,805</u>	<u>245,939</u>
Net change in fund balance	(1,374,041)	(1,759,025)	(1,607,385)	151,640
Unencumbered fund balance at beginning of year	<u>3,597,881</u>	<u>3,597,881</u>	<u>3,597,881</u>	<u>-</u>
Unencumbered fund balance at end of year	\$ <u>2,223,840</u>	\$ <u>1,838,856</u>	\$ <u>1,990,496</u>	\$ <u>151,640</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# City of Euclid, Ohio

## Statement of Fund Net Assets Proprietary Fund

**December 31, 2003**

	Waste Water	Golf Course	Total Business-Type Activities	Governmental Activities Internal Service
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 6,205,638	\$ 393,514	\$ 6,599,152	\$ 570,816
Taxes receivable	692,008	-	692,008	-
Accounts receivable	3,418,212	-	3,418,212	-
Interest receivable	47	-	47	35
Intergovernmental receivable	28,776	-	28,776	-
Materials and supplies inventory	40,189	7,046	47,235	-
<b>Total current assets</b>	<b>10,384,870</b>	<b>400,560</b>	<b>10,785,430</b>	<b>570,851</b>
<b>Noncurrent assets:</b>				
Non-depreciable assets	116,000	7,522,014	7,638,014	-
Depreciable assets, net	42,949,169	461,706	43,410,875	-
<b>Total noncurrent assets</b>	<b>43,065,169</b>	<b>7,983,720</b>	<b>51,048,889</b>	<b>-</b>
<b>Total assets</b>	<b>53,450,039</b>	<b>8,384,280</b>	<b>61,834,319</b>	<b>570,851</b>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	247,065	7,620	254,685	-
Claims payable	-	-	-	2,880,500
Accrued wages and benefits	364,976	36,886	401,862	18,470
Due to other governments	668,528	74,909	743,437	7,159
Accrued interest payable	621,902	253	622,155	-
Deferred revenue	593,265	-	593,265	-
Notes payable	1,200,000	-	1,200,000	-
Current portion of long-term liabilities	1,661,176	7,977	1,669,153	961
<b>Total current liabilities</b>	<b>5,356,912</b>	<b>127,645</b>	<b>5,484,557</b>	<b>2,907,090</b>
<b>Long-term liabilities, net of current portion:</b>				
Capital lease payable	411,496	14,457	425,953	-
Loans payable	18,815,973	-	18,815,973	-
General obligation bonds payable	1,675,000	-	1,675,000	-
<b>Total long-term liabilities</b>	<b>20,902,469</b>	<b>14,457</b>	<b>20,916,926</b>	<b>-</b>
<b>Total liabilities</b>	<b>26,259,381</b>	<b>142,102</b>	<b>26,401,483</b>	<b>2,907,090</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	20,623,286	8,023,027	28,646,313	-
Unrestricted	6,567,372	219,151	6,786,523	(2,336,239)
<b>Total net assets</b>	<b>\$ 27,190,658</b>	<b>\$ 8,242,178</b>	<b>\$ 35,432,836</b>	<b>\$ (2,336,239)</b>

The Accompanying Notes are an Integral Part of These Financial Statements

## City of Euclid, Ohio

### Statement Of Revenues, Expenses And Changes In Fund Net Assets Proprietary Fund

#### **For The Year Ended December 31, 2003**

	Waste Water	Golf Course	Total Business-Type Activities	Governmental Activities Internal Service
Operating revenues:				
Charges for services	\$ 12,383,945	\$ 780,200	\$ 13,163,945	\$ -
Other	<u>-</u>	<u>11,958</u>	<u>11,958</u>	<u>15,045</u>
Total operating revenues	<u>12,383,945</u>	<u>792,158</u>	<u>13,176,103</u>	<u>15,045</u>
Operating expenses:				
Personal services	3,096,899	375,364	3,472,263	72,215
Materials and supplies	804,754	101,831	906,585	1,321
Contractual services	4,353,665	141,695	4,495,360	38,203
Utilities	785,749	33,943	819,692	-
Depreciation	1,800,550	61,741	1,862,291	-
Claims	<u>6,342</u>	<u>-</u>	<u>6,342</u>	<u>2,016,821</u>
Total operating expenses	<u>10,847,959</u>	<u>714,574</u>	<u>11,562,533</u>	<u>2,128,560</u>
Operating income (loss)	<u>1,535,986</u>	<u>77,584</u>	<u>1,613,570</u>	<u>(2,113,515)</u>
Non-operating income (expenses):				
Sewer levy	764,394	-	764,394	-
Interest income	987	-	987	5,350
Interest expense	<u>(1,283,230)</u>	<u>(1,572)</u>	<u>(1,284,802)</u>	<u>-</u>
Total non-operating income (expense)	<u>(517,849)</u>	<u>(1,572)</u>	<u>(519,421)</u>	<u>5,350</u>
Income (loss) before contributions and transfers	1,018,137	76,012	1,094,149	(2,108,165)
Contributed capital	-	250,488	250,488	-
Transfers – out	<u>(286,456)</u>	<u>-</u>	<u>(286,456)</u>	<u>-</u>
Change in net assets	731,681	326,500	1,058,181	(2,108,165)
Net assets at beginning of year, restated	<u>26,458,977</u>	<u>7,915,678</u>	<u>34,374,655</u>	<u>(228,074)</u>
Net assets at end of year	\$ <u>27,190,658</u>	\$ <u>8,242,178</u>	\$ <u>35,432,836</u>	\$ <u>(2,336,239)</u>

The Accompanying Notes are an Integral Part of These Financial Statements



# City of Euclid, Ohio

## Statements of Cash Flows – Proprietary Funds

### For The Year Ended December 31, 2003

	Waste Water	Golf Course	Total Business-Type Activities	Governmental Activities Internal Service Fund
Increase (decrease) in cash and cash equivalents:				
Cash flows from operating activities				
Cash received from customers	\$ 11,725,795	\$ 780,200	\$ 12,505,995	\$ -
Cash payments for goods and services	(6,068,119)	(266,951)	(6,335,070)	(39,524)
Cash payments to employees for services	(3,623,006)	(494,923)	(4,117,929)	(76,613)
Cash payments for employee benefits			-	-
Cash payments for claims	(39,342)		(39,342)	(334,321)
Cash received from other operating revenues	-	11,958	11,958	15,045
Net cash provided by (used for) Operating activities	<u>1,995,328</u>	<u>30,284</u>	<u>2,025,612</u>	<u>(435,413)</u>
Cash flows from noncapital financing activities:				
Transfers – out	<u>(286,456)</u>	<u>-</u>	<u>(286,456)</u>	<u>-</u>
Cash flows from capital and related Financing activities:				
Acquisition and construction of assets	(49,371)	-	(49,371)	-
Proceeds from general obligation notes	1,200,000	-	1,200,000	-
Proceeds from additional borrowings on construction loans	63,673			
Principal paid on capital leases	(45,700)	(13,136)	(58,836)	-
Principal paid on construction loans	(1,433,593)	-	(1,433,593)	-
Proceeds received from sewer levy	709,661	-	709,661	-
Interest paid	<u>(1,312,868)</u>	<u>(2,028)</u>	<u>(1,314,896)</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>(868,198)</u>	<u>(15,164)</u>	<u>(947,035)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	<u>983</u>	<u>-</u>	<u>983</u>	<u>5,415</u>
Net increase (decrease) in cash and cash equivalents	841,657	15,120	856,777	(429,998)
Cash and cash equivalents, beginning of year	<u>5,363,981</u>	<u>378,394</u>	<u>5,742,375</u>	<u>1,000,814</u>
Cash and cash equivalents, end of year	<u>\$ 6,205,638</u>	<u>\$ 393,514</u>	<u>\$ 6,599,152</u>	<u>\$ 570,816</u>

(continued)

The Accompanying Notes are an Integral Part of These Financial Statements

# City of Euclid, Ohio

## Statements of Cash Flows – Proprietary Funds (Continued)

**December 31, 2003**

	<u>Waste Water</u>	<u>Golf Course</u>	<u>Total Business-Type Activities</u>	<u>Governmental Activities Internal Service Fund</u>
Reconciliation of net income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 1,535,985	\$ 77,584	\$ 1,613,569	\$ (2,113,515)
Adjustments:				
Depreciation	1,800,550	61,741	1,862,291	-
Changes in assets/liabilities:				
(Increase) decrease in accounts receivable	(629,372)	-	(629,372)	-
(Increase) decrease in inventory	(4,436)	2,898	(1,538)	-
Increase (decrease) in intergovernmental receivable	(28,776)	-	(28,776)	-
Increase (decrease) in accounts payable	(153,619)	1,732	(151,887)	-
Increase (decrease) in accrued wages and benefits	(370,466)	(98,781)	(469,247)	(1,019)
Increase (decrease) in due to other governments	(16,439)	(2,378)	(18,817)	(260)
Increase (decrease) in accrued pension	(105,099)	(12,512)	(117,611)	(3,119)
Increase (decrease) in claims payable	<u>(33,000)</u>	<u>-</u>	<u>(33,000)</u>	<u>1,682,500</u>
Total adjustments	<u>459,343</u>	<u>(47,300)</u>	<u>412,043</u>	<u>1,678,102</u>
Net cash provided by (used for) operating activities	\$ <u>1,995,328</u>	\$ <u>30,284</u>	\$ <u>2,025,612</u>	\$ <u>(435,413)</u>
Noncash investments, capital and financing activities:				
During the year construction in progress was placed into service	\$ <u>-</u>	\$ <u>250,488</u>	\$ <u>-</u>	\$ <u>250,488</u>

The Accompanying Notes are an Integral Part of These Financial Statements

## City of Euclid, Ohio

### Statement Of Fiduciary Net Assets Fiduciary Funds

**December 31, 2003**

---

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ <u>801,164</u>
Liabilities:	
Accounts payable	\$ 17,448
Due to others	94,191
Deposits held	<u>689,525</u>
Total liabilities	\$ <u>801,164</u>

The Accompanying Notes are an Integral Part of These Financial Statements

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 1: The Reporting Entity**

The City of Euclid, Ohio (the City) was incorporated in 1931 and includes an area of approximately 10.3 square miles. The City operates under an elected Mayor/Council (nine members) administrative/legislative form of government and provides services to its more than 54,000 residents in many areas, including law enforcement, administration of justice, community enrichment and development, human services and sewage services. The City established a formal charter in 1951 which governs its operations.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Euclid this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, municipal court and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

#### *The Euclid Municipal Court*

The City budgets and appropriates funds for the operation of the Court. The City also establishes the compensation of certain Court employees and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court, along with its share of the Court's administrative and operating costs, are recorded in the City's General Fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as an agency fund in the accompanying financial statements.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has the following component units:

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 1: The Reporting Entity (continued)**

#### *Euclid Development Corporation*

In 1978, the City established the Euclid Development Corporation (EDCOR), a nonprofit corporation formed for the purpose of providing administrative program assistance to the Community Development Department while combating deterioration and lessening the burdens of government by advancing, encouraging and promoting residential and commercial redevelopment and revitalization within the City of Euclid. EDCOR directly benefits the City through cost effective administration of low interest home improvement loans to Euclid residents under terms which satisfy and comply with the short and long-term objectives relating to the rehabilitation of existing housing units as specified in the City's Housing and Community Development Block Grant (CDBG) application filed annually. EDCOR has been included as a discretely presented component unit of the government for financial reporting purposes. EDCOR qualifies to be reported as a component unit as it is fiscally dependent on the City and due to the relationship between EDCOR and the City, EDCOR's exclusion would cause the City's financial statements to be incomplete. The City subsidizes EDCOR's entire operation from its Community Development Block Grant. By performing this administrative CDBG program assistance, EDCOR is providing a vital service to the City of Euclid in order to help it meet the terms of its CDBG grant agreement. EDCOR issues a stand alone financial report. That report may be obtained by writing to the Euclid Development Corporation at 291 East 222nd Street, Euclid, Ohio 44123.

### **Note 2: Summary of Significant Accounting Policies**

The financial statements of the City of Euclid have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued prior to November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The significant accounting policies followed in the preparation of these financial statements are summarized below.

#### **A. Basis of Presentation**

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

#### *Government-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **A. Basis of Presentation – Fund Accounting (continued)**

##### *Government-Wide Financial Statements (continued)*

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

##### *Fund Financial Statements*

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

#### **B. Fund Accounting**

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

##### *Governmental Funds*

Governmental funds are those funds through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used.

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The measurement focus is upon determination of changes in financial position, rather than upon determination of net income. The following are the City's major governmental funds:

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **B. Fund Accounting (continued)**

##### *General Fund*

The general fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Euclid (the Charter) and/or the general laws of the State of Ohio.

##### *Debt Service Fund*

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

##### *Capital Bond and Note Construction Fund*

This fund is used to account for the financial resources used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds).

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

##### *Proprietary Funds*

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

##### *Waste Water Treatment Fund*

Accounts for revenues and expenses related to the operation and maintenance of Euclid's sewage treatment plant and the construction and maintenance of the City's sanitary and storm sewers. Primary revenue sources are user charges and a two mill sewer levy which is used for the construction and maintenance of the sewer lines.

##### *Golf Course Fund*

Accounts for the operations of the City owned golf course. Debt issued to construct the golf course is accounted for in the debt service fund.

##### *Internal Service Fund*

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee health benefits.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### *Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: Pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the City's own programs. The City has no trust funds. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's primary agency funds account for the municipal court and building deposits.

#### **C. Measurement Focus**

##### *Government-Wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

##### *Fund Financial Statements*

All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

#### **D. Basis of Accounting**

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



# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***D. Basis of Accounting (continued)***

##### *Revenues – Exchange and Non-Exchange Transactions*

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and rentals.

##### *Deferred Revenue*

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***D. Basis of Accounting (continued)***

##### *Expenses/Expenditures*

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

#### ***E. Budgetary Process***

The budgetary process is prescribed by the Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on a Non-GAAP budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budget control is at the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level. Budgetary modifications at the fund level may only be made by ordinance of City Council. The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

##### *Tax Budget*

A tax budget of estimated revenues and expenditures for all funds other than agency funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***E. Budgetary Process (continued)***

##### Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenues. The Budget Commission then certifies its action to the City by September 1st of each year. As part of the certification process the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission find the revised estimates to be reasonable. The amounts reported in the budgetary statements as original represent the amounts in the first official certificate of estimated resources issued during 2003. The amounts in the final reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

##### *Appropriations*

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. During the year, several amended appropriation ordinances were approved. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for each fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

##### *Lapsing of Appropriations*

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is reappropriated.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***E. Budgetary Process (continued)***

##### *Budgeted Level of Expenditure*

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriation ordinance establishes spending controls at the fund level. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

##### *Encumbrances*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures of governmental funds. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

#### ***F. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the balance sheet.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

During the year, the City invested in STAROhio, an investment pool managed by the State Treasurer's office. STAROhio which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2003.

Interest allocation is determined by the Ohio Constitution, state statutes, and local ordinances adopted under City Charter. Under these provisions, City funds required to receive interest allocations are: 1) those which receive proceeds from the sale of notes and/or bonds and 2) those which receive distributions of state gasoline tax and motor vehicle licenses fees (street maintenance and state highway special revenue funds). All remaining interest is allocated to the general fund. Legally, proprietary funds generally do not receive interest.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### **G. Inventory**

Inventories are stated at cost, on the first-in, first-out basis in the governmental funds and at the lower of cost (first-in, first-out) or market in the proprietary funds. The cost of inventory items are recorded as expenditure in the governmental fund types and expenses in the proprietary fund types when used.

#### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed. At December 31, 2003, the amount of the prepaid items was not material.

#### **I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City increased the capitalization threshold of one thousand dollars to five thousand dollars. The City's infrastructure consists of storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Land Improvements	20-40 years
Utility Plant and Sanitary Sewers	40-50 years
Buildings and Improvements	20-40 years
Furniture, Fixtures and Equipment	3-10 years
Infrastructure	25-50 years

#### **J. Interfund Balances**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "due from other funds" and "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net assets.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***K. Compensated Absences***

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City's termination policy. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

All employees earn sick leave at a rate of 1.25 days per month of work completed except for school guards and certain part-time employees who accrue sick leave at a rate of 4.6 hours per 80 hours of work completed and fire department employees who accrue sick leave at a rate of 1.5 days per month. Accumulated vacation is based upon length of service as follows:

After 1 year	2 weeks earned per year
After 5 years	3 weeks earned per year
After 10 years	4 weeks earned per year
After 15 years	5 weeks earned per year
After 20 years	6 weeks earned per year

Accumulated vacation may not be carried forward without specific approval.

Employees receive payment in cash for a certain portion of their accumulated sick leave hours upon retirement or death. Employees also receive payments in cash for accumulated vacation time upon resignation, termination or retirement.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***L. Accrued Liabilities and Long-Term Obligations***

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

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

#### ***M. Fund Balance Reserves***

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

#### ***N. Net Assets***

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

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

#### ***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are reimbursements for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 2: Summary of Significant Accounting Policies (continued)**

#### ***P. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### ***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither occurred in 2003.

#### ***R. Estimates***

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

### **Note 3: Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general and capital improvement funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).



# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 3: Budgetary Basis of Accounting (continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general.

	<u>Net Change in Fund Balance</u>
GAAP Basis	\$ <u>General</u> (1,518,221)
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals	656,699
Expenditure Accruals	(701,976)
Net Impact of Encumbrances on Budget Basis Expenditures	<u>(43,887)</u>
Budget Basis	\$ <u>(1,607,385)</u>

### **Note 4: Deposits and Investments**

Cash resources for a majority of the City's individual funds are combined to form a pool of cash and investments which are stated at cost and amortized cost. The City's policy is to allocate investment earnings to the General Fund unless the allocation of such earnings is legally or otherwise restricted.

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. None of the investments are reported at amortized cost at year end.

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

- Bonds, notes or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;
- Discount notes of the Federal National Mortgage Association;
- Bonds of the State of Ohio; and
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 4: Deposits and Investments (continued)**

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities with an aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority.

The Governmental Accounting Standards Board, Statement No. 3, has established risk categories for deposits and investments as follows:

#### Deposits:

- Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 – Uncollateralized, although secured by pooled securities pledged by financial institutions.

#### Investments:

- Category 1 – Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

#### **A. Deposits and Short-Term Investments**

At year end, the carrying amount of the City's deposits, excluding the Component Unit, was \$1,543,903 and the bank balance was \$1,991,146. Of the bank balance:

1. \$422,478 was covered by the federal depository insurance, by collateral held by the City or by its agent in the name of the City.
2. \$1,568,668 was collateralized with securities held by the pledging financial institution or their trust departments or agents but not in the City's name.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### Note 4: Deposits and Investments (continued)

#### A. Deposits and Short-Term Investments (continued)

At year end, the carrying amount of the Component Unit (EDCOR's) deposits was \$607,818 and the bank balance was \$620,225. Of the bank balance, \$211,897 was covered by the federal depository insurance, by collateral held by EDCOR or by its agent in the name of EDCOR and \$408,328 was collateralized with securities held by the pledging financial institution or their trust departments or agents but not in the City's name.

#### B. Investments

The City's investments are detailed below by type and are categorized to give an indication of the level of risk assumed as of year-end.

<u>Description</u>	<u>Risk Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government Securities	\$ 9,243,268	\$ 9,243,268	\$ 9,243,268
State Treasurer's Investment Pool (Star Ohio)*	-	7,225,000	7,225,000
Repurchase Agreements	<u>803,311</u>	<u>803,311</u>	<u>803,311</u>
Total Investments	\$ <u>10,046,579</u>	\$ <u>17,271,579</u>	\$ <u>17,271,579</u>

\*Non-categorized

STAROhio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting". Cash and equivalents are defined to include investments with original maturities of three months or less and funds included within the City's cash management pool. Reconciliation between the classification of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Investments:		
GASB Statement No. 9	\$ 18,815,482	-
U.S. Government Securities	(9,243,268)	9,243,268
STAROhio	(7,225,000)	7,225,000
Repurchase Agreements	<u>(803,311)</u>	<u>803,311</u>
GASB Statement No. 3	\$ <u>1,543,903</u>	\$ <u>17,271,579</u>

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 5: Receivables**

Receivables at December 31, 2003 consisted of taxes, intergovernmental receivables arising from grants, entitlements or shared revenues, special assessments and interest on investments. All receivables are considered fully collectible.

#### **A. Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years with a triennial update. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable by June 20. In certain circumstances, state statute permits earlier or later payment dates to be established.

Taxes collected on tangible personal property taxes (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property currently is generally assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Euclid. The County Auditor periodically remits to the City its portion of the taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

The full tax rate of all City operations for the year ended December 31, 2003 was \$15.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based, are as follows:

Real Property	\$ 701,793,380
Tangible Personal Property	90,128,261
Public Utility Personal Property	<u>24,563,360</u>
Total Valuation	\$ <u>816,485,001</u>

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 5: Receivables (continued)**

#### ***B. Income Taxes***

The City levies a 2.85 percent income tax on substantially all income earned within the City. The .85 percent collected is to be split between the City and the school board at a ratio of .38 percent for the City and .47 percent for the schools. In addition, residents are required to pay City income tax on income earned outside the City; however, a 100 percent credit is allowed for income taxes paid to other municipalities. Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City's agent, Central Collection Agency (CCA), either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax liability quarterly and file a declaration annually. All income tax proceeds are recorded in the General Fund.

#### ***C. Other Taxes***

In addition to property and income taxes, certain other taxes are recognized as revenue by the City. These taxes include state shared taxes, gasoline taxes, inheritance taxes and miscellaneous other taxes which have various lien, levy and collection dates.

#### ***D. Notes Receivable***

General funds notes receivable represent amounts loaned to a major corporation in connection with an economic development and rehabilitation project. These notes will be paid back to the City over 30 years by the corporation at an interest rate of 2%. The City will incur interest charges at a rate of 8.25% on the bonds that had been issued by the City in conjunction with this program. The difference in the interest rates is a subsidy which will be funded by nontax revenue sources.

Component unit notes receivable represent low interest loans for home improvements granted to eligible City residents through EDCOR under the Federal Community Development Block Grant program. The loans bear interest at an annual rate of 3 percent. The loans are to be repaid over periods ranging from five to fifteen years.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### Note 5: Receivables (continued)

#### E. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local government funds	\$ 1,671,935
LGRAAF	143,839
State highway	260,208
Gasoline tax	141,367
Auto reg	167,276
Homestead and rollback	339,988
Permissive motor vehicle license tax	146,694
Juvenile diversion grant	8,768
Weed & seed grant	22,419
Litter grant	<u>16,424</u>
	<u>\$ 2,918,918</u>

### Note 6: Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balances 12-31-02	Restatement	Balances 12-31-02 Restated	Additions	Disposals	Balances 12-31-03
<b>Governmental activities</b>						
Nondepreciable assets						
Land	\$ 8,945,894	\$ 925,773	\$ 9,871,667	\$ -	\$ (773,000)	\$ 9,098,667
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,118,027</u>	<u>-</u>	<u>1,118,027</u>
Total nondepreciable assets	<u>8,945,894</u>	<u>925,773</u>	<u>9,871,667</u>	<u>1,118,027</u>	<u>(773,000)</u>	<u>10,216,694</u>
Depreciable assets:						
Land improvements	-	2,223,079	2,223,079	-	-	2,223,079
Buildings and Improvements	30,891,853	(20,675,979)	10,215,874	-	-	10,215,874
Furniture, fixtures and equipment	11,378,537	(2,623,976)	8,754,561	432,398	(296,886)	8,890,073
Infrastructure:						
Streets	<u>-</u>	<u>34,000,000</u>	<u>34,000,000</u>	<u>2,194,943</u>	<u>-</u>	<u>36,194,943</u>
Total depreciable assets	<u>42,270,390</u>	<u>12,923,124</u>	<u>55,193,514</u>	<u>2,627,341</u>	<u>(296,886)</u>	<u>57,523,969</u>

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

### Note 6: Capital Assets (continued)

	Balances 12-31-02	Restatement	Balance 12-31-02 Restated	Additions	Disposals	Balance 12-31-03
<b>Governmental activities (continued)</b>						
Less accumulated depreciation:						
Land improvements		(1,663,355)	(1,663,355)	(94,262)		(1,757,617)
Buildings and improvements	-	(4,782,928)	(4,782,928)	(194,311)		(4,977,239)
Furniture, fixtures and equipment	-	(4,780,740)	(4,780,740)	(817,129)	296,886	(5,300,983)
Infrastructure:						
Streets	-	(5,000,000)	(5,000,000)	(54,873)	-	(5,054,873)
Total accumulated depreciation	-	(16,227,023)	(16,227,023)	(1,160,575)	296,886	(17,090,712)
Total depreciable assets, net	<u>42,270,390</u>	<u>(3,303,899)</u>	<u>38,966,491</u>	<u>1,466,766</u>	<u>-</u>	<u>40,433,257</u>
Governmental activities capital assets, net	\$ <u>51,216,284</u>	\$ <u>(2,378,126)</u>	\$ <u>48,838,158</u>	\$ <u>2,584,793</u>	\$ <u>(773,000)</u>	\$ <u>50,649,951</u>
<b>Business-Type Activities</b>						
Nondepreciable assets:						
Land	\$ 6,470,413	\$ 917,113	\$ 7,387,526	\$ -	\$ -	\$ 7,387,526
Construction in progress	-	-	-	250,488	-	250,488
Total nondepreciable assets	<u>6,470,413</u>	<u>917,113</u>	<u>7,387,526</u>	<u>250,488</u>	<u>-</u>	<u>7,638,014</u>
Depreciable assets:						
Land improvements	1,182,610	182,512	1,365,122	-	-	1,365,122
Buildings and improvements	1,669,449	6,931,791	8,601,240	-	-	8,601,240
Furniture, fixtures and equipment	2,841,438	(1,089,386)	1,752,052	14,800	(26,740)	1,740,112
Infrastructure:						
Streets	-	-	-	34,571	-	34,571
Sewers	72,942,508	-	72,942,508	-	-	72,942,508
Total depreciable assets	<u>78,636,005</u>	<u>6,024,917</u>	<u>84,660,922</u>	<u>49,371</u>	<u>(26,740)</u>	<u>84,683,553</u>
Less accumulated depreciation:						
Land improvements	(696,469)	(269,943)	(966,412)	(57,703)	-	(1,024,115)
Buildings and improvements	(320,629)	(2,801,656)	(3,122,285)	(160,661)	-	(3,282,946)
Furniture, fixtures and equipment	(1,722,793)	569,073	(1,153,720)	(127,322)	26,740	(1,254,302)
Infrastructure:						
Streets				(864)		(864)
Sewers	(34,194,710)	-	(34,194,710)	(1,515,741)	-	(35,710,451)
Total accumulated depreciation	<u>(36,934,601)</u>	<u>(2,502,526)</u>	<u>(39,437,127)</u>	<u>(1,862,291)</u>	<u>26,740</u>	<u>(41,272,678)</u>
Total depreciable assets, net	<u>41,701,404</u>	<u>3,522,391</u>	<u>45,223,795</u>	<u>(1,812,920)</u>	<u>-</u>	<u>43,410,875</u>
Business-type assets, net of accumulated depreciation	\$ <u>48,171,817</u>	\$ <u>4,439,504</u>	\$ <u>52,611,321</u>	\$ <u>(1,562,432)</u>	\$ <u>-</u>	\$ <u>51,048,889</u>

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### Note 6: Capital Assets (continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 272,062
Public safety	457,644
Culture and recreation	148,498
Community Development	227,498
Streets and highways	<u>54,873</u>
Total	\$ <u>1,160,575</u>

### Note 7: Long-Term Debt

The original issue date, interest rates, and original issuance amount for each of the City's bonds follows:

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<b>General Obligation Bonds</b>			
Various Improvement	1998	4.80% - 6.625%	\$ 12,730,000
Various Purpose	1995	3.70% - 5.55%	8,400,000
Various Purpose	1995	3.70% - 5.50%	8,740,000
Various Purpose	1998	3.80% - 4.90%	6,360,000
Waterline	1998	3.80% - 5.125%	1,025,000
Waterline	2001	3.25% - 5.50%	4,260,000
Various Improvement	2001	3.25% - 5.50%	7,235,000
<b>Enterprise Fund –</b>			
Waterline	1998	3.80% - 5.125%	2,145,000
<b>Development Revenue Bonds</b>			
Lincoln Electric Dev. Rev.	1996	8.25%	2,135,000
<b>Special Assessment Bond</b>			
Heritage Drive, SA	1999	4.35% - 5.60%	1,715,000

#### A. Bonded Debt

Changes in the long-term debt activity for the year ended December 31, 2003 is as follows:

	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2003</u>	<u>Amounts Due Within One Year</u>
<b>General Obligation Bonds:</b>					
4.80% to 6.625% Various Purpose Bonds, Series 1991 Due Through 2011	\$ 2,720,000	\$ -	\$ (380,000)	\$ 2,340,000	\$ 405,000
3.70% to 5.55% Various Purpose Bonds, Series 1995 Due Through 2009	4,615,000	-	(565,000)	4,050,000	590,000



# City of Euclid, Ohio

## Notes to the Financial Statements

### December 31, 2003

#### Note 7: Long-Term Debt (continued)

##### A. Bonded Debt (continued)

	Balance January 1, <u>2003, Restated</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2003</u>	Amounts Due Within <u>One Year</u>
3.70% to 5.50% Various Purpose Bonds, Series 1995 Due Through 2015	5,575,000	-	(450,000)	5,125,000	475,000
3.80% to 4.90% Various Purpose Bonds, Series 1998 Due Through 2018	5,195,000	-	(325,000)	4,870,000	280,000
3.80% to 5.125% Waterline Improve Bonds, Series 1998 Due Through 2018	885,000	-	(40,000)	845,000	40,000
3.25% to 5.50% Peterson Improvement Bonds, Series 2001 Due Through 202	4,030,000	-	(150,000)	3,880,000	155,000
3.25% to 5.50% Various Purpose Bonds Series 2001 Due Through 2020	<u>6,690,000</u>	<u>-</u>	<u>(360,000)</u>	<u>6,330,000</u>	<u>380,000</u>
Total General Obligation Bonds	\$ <u>29,710,000</u>	\$ <u>-</u>	\$ <u>(2,270,000)</u>	\$ <u>27,440,000</u>	\$ <u>2,325,000</u>
Development Revenue Bonds:					
8.25% Development Revenue Bond Due Through 2016	\$ <u>1,765,000</u>	\$ <u>-</u>	\$ <u>(70,000)</u>	\$ <u>1,695,000</u>	\$ <u>80,000</u>
Special Assessment Bonds:					
4.35% to 5.60% Heritage Drive Improvement Bonds, Series 1999 Due Through 2019	\$ <u>1,560,000</u>	\$ <u>-</u>	\$ <u>(60,000)</u>	\$ <u>1,500,000</u>	\$ <u>60,000</u>
Other Obligations:					
OPWC Loans:					
0% Ohio Public Works Commission, Waterline/Pavement Replacement Project Loan Due Through 2020	\$ 2,606,540	\$ 25,788	\$ (97,632)	\$ 2,534,696	\$ 141,380
Capital Lease Obligations	744,918	15,780	(199,872)	560,826	210,678
Accrued Compensated Absences	<u>3,089,815</u>	<u>-</u>	<u>(3,243)</u>	<u>3,086,572</u>	<u>273,785</u>
Total Other Obligations	\$ <u>6,441,273</u>	\$ <u>41,568</u>	\$ <u>(300,747)</u>	\$ <u>6,182,094</u>	\$ <u>625,843</u>
Total governmental activities long-term liabilities	\$ <u>39,476,273</u>	\$ <u>41,568</u>	\$ <u>(2,700,747)</u>	\$ <u>36,817,094</u>	\$ <u>3,090,843</u>

The City restated its January 1, 2003 compensated absences balance from \$6,479,932 to \$3,089,815 due to the implementation of Interpretation 6 for GASB 34 purposes.

In 1998, the City defeased a general obligation bond issue by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of December 31, 2003, the amount of defeased debt outstanding amounted to \$2,260,000.

# City of Euclid, Ohio

## Notes to the Financial Statements

### December 31, 2003

#### Note 7: Long-Term Debt (continued)

##### A. Bonded Debt (continued)

In 1995, the City defeased a general obligation bond issue by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of December 31, 2003, the amount of defeased debt outstanding amounted to \$4,420,000.

Detail of the changes in Capital Leases of the Enterprise Funds for the year ended December 31, 2003 is as follows:

	Balance January 1, 2003	Additions	Retirements	Balance December 31, 2003	Amounts Due Within One Year
Capital Lease Obligations	\$ <u>539,513</u>	\$ <u>-</u>	\$ <u>(58,836)</u>	\$ <u>480,677</u>	\$ <u>54,724</u>

Detail of the changes in General Obligation Bonds and Ohio Water Development Authority Loans of the Enterprise Funds for the year ended December 31, 2003 is as follows:

	Balance January 1, 2003	Additions	Retirements	Balance December 31, 2003	Amounts Due Within One Year
General Obligation Bonds:					
3.80% to 5.125% Waterline Improvement Bonds, Series 1998 Due Through 2018	\$ <u>1,845,000</u>	\$ <u>-</u>	\$ <u>(80,000)</u>	\$ <u>1,765,000</u>	\$ <u>90,000</u>
OWDA Loans:					
5.2% Ohio Water Development Authority Waste Water Facility Project Loan Due Through 2013	\$ 9,266,485	\$ -	\$ (602,743)	\$ 8,663,742	\$ 638,591
4.56% Ohio Water Development Authority Waste Water Facility Project Loan Due Through 2014	2,259,017		(144,324)	2,114,693	151,836
11.19% Ohio Water Development Authority Waste Water Facility Project Loan Due Through 2011	<u>5,700,532</u>	<u>-</u>	<u>(436,903)</u>	<u>5,263,629</u>	<u>485,792</u>
Total OWDA Loan Payable	\$ <u>17,226,034</u>	\$ <u>-</u>	\$ <u>(1,183,970)</u>	\$ <u>16,042,064</u>	\$ <u>1,276,219</u>
OPWC Loans:					
0% Ohio Public Works Commission Various Purpose Project Loans Due Through 2019 and 2020	\$ <u>4,394,288</u>	\$ <u>63,673</u>	\$ <u>(169,623)</u>	\$ <u>4,288,338</u>	\$ <u>238,210</u>
Total business-type activities long-term liabilities	\$ <u>24,004,835</u>	\$ <u>63,673</u>	\$ <u>(1,492,429)</u>	\$ <u>22,576,079</u>	\$ <u>1,669,153</u>

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

### Note 7: Long-Term Debt (continued)

#### A. Bonded Debt (continued)

In 1992, the City entered into a loan agreement with the Ohio Water Development Authority (OWDA) to fund certain improvements mandated by the United States Environmental Protection Agency. The borrowings under the original loan agreement were limited to \$13,338,783. The loan bears interest at the rate of 5.2% per year and is payable over 20 years, beginning in 1994. During 1994, the City made a supplemental agreement with OWDA increasing the maximum amount borrowable under the 5.2% OWDA Waste Water Facility Project Loan by \$3,797,401 to \$17,136,184. The interest rate for the amounts borrowed under the supplemental agreement is 4.56% per year.

All Ohio Water Development Authority Waste Water Facility Project Loans are secured by the revenues of the facility. Under the terms of the loans, the City is required to charge rates and fees for the services of the facility so that revenues will be at least sufficient to service the loan principal and interest payments and provide resources for the payment of the necessary operating and maintenance expenses of the facility. The City did not pledge the general resources or the general credit of the City to secure the repayment of the loans. The City, at its option, may use any of its general resources in meeting its obligations for the construction, maintenance, operation or debt service of the facility.

The loans payable, from the Ohio Public Works Commission, represent 20-year interest-free loans, with payments beginning in 2001 and running through 2022.

A summary of the City's future debt service requirements, including principal and interest at December 31, 2003 is as follows:

<b>Governmental Activities</b>						
	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>		<u>Development Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 2,325,000	\$ 1,351,012	\$ 60,000	\$ 81,265	\$ 80,000	\$ 139,838
2005	2,430,000	1,248,418	65,000	78,475	85,000	133,238
2006	2,305,000	1,137,350	70,000	75,355	90,000	126,225
2007	2,130,000	1,030,238	70,000	71,925	100,000	118,800
2008	2,220,000	928,955	75,000	68,425	105,000	110,550
2009-2013	8,595,000	3,160,648	445,000	277,120	680,000	406,311
2014-2018	5,955,000	1,234,692	580,000	138,600	555,000	94,051
2019-2023	<u>1,480,000</u>	<u>111,750</u>	<u>135,000</u>	<u>7,560</u>	-	-
	<u>\$ 27,440,000</u>	<u>\$10,203,063</u>	<u>\$ 1,500,000</u>	<u>\$ 798,725</u>	<u>\$ 1,695,000</u>	<u>\$ 1,129,013</u>
Ohio Public Works Commission Loans						
	<u>Principal</u>		<u>Total</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2004	\$ 141,380	\$ -	\$ 2,606,380	\$ 1,572,115		
2005	141,380	-	2,721,380	1,460,131		
2006	141,380	-	2,606,380	1,338,930		
2007	141,380	-	2,441,380	1,220,963		
2008	141,380	-	2,541,380	1,107,930		
2009-2013	706,900	-	10,426,900	3,844,079		
2014-2018	706,900	-	7,796,900	1,467,343		
2019-2023	<u>413,996</u>	<u>-</u>	<u>2,028,996</u>	<u>119,310</u>		
	<u>\$ 2,534,696</u>	<u>\$ -</u>	<u>\$ 33,169,696</u>	<u>\$12,130,801</u>		

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### Note 7: Long-Term Debt (continued)

#### A. Bonded Debt (continued)

	<b>Business-Type Activities</b>					
	<u>General Obligation Bonds</u>		<u>Ohio Water Development Authority Loans</u>		<u>Ohio Public Works Commission Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 90,000	\$ 86,344	\$ 1,276,219	\$ 1,125,799	\$ 238,210	\$ -
2005	90,000	82,429	1,371,220	1,030,797	238,210	-
2006	85,000	78,424	1,474,399	927,618	238,210	-
2007	95,000	74,556	1,586,544	815,473	238,210	-
2008	95,000	70,186	1,708,527	693,490	238,210	-
2009-2013	575,000	276,495	7,855,432	1,467,675	1,191,050	-
2014-2018	735,000	117,107	769,723	21,856	1,191,050	-
2019-2020	-	-	-	-	715,188	-
	<u>\$ 1,765,000</u>	<u>\$ 785,541</u>	<u>\$ 16,042,064</u>	<u>\$ 6,082,708</u>	<u>\$ 4,288,338</u>	<u>\$ -</u>

	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
	\$ 1,604,429	\$ 1,212,143
	1,699,430	1,113,226
	1,797,609	1,006,042
	1,919,754	890,029
	2,041,737	763,676
	9,621,482	1,744,170
	2,695,773	138,963
	715,188	-
	<u>\$ 22,095,402</u>	<u>\$ 6,868,249</u>

#### B. Capital Leases

The City has entered into agreements to lease equipment. Such agreements are, in substance, lease purchases (capital leases) and are classified as long-term lease obligations in the financial statements. The lease contracts contain options that would allow the City to cancel the leases if sufficient funds are not appropriated by City Council. Since cancellation of the leases is not foreseen, the leases have been capitalized. Further, upon satisfaction of the lease obligations, title to the equipment will pass to the City. During 2003, operating lease payments for the City were immaterial.

The City has entered into lease agreements as lessee for financing which relate to various equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of inception date.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### Note 7: Long-Term Debt (continued)

#### B. Capital Leases (continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Furniture, Fixtures and Equipment	\$ 982,861	\$ 61,406
Less: Accumulated Depreciation	<u>(208,504)</u>	<u>(9,626)</u>
Total	\$ <u>774,357</u>	\$ <u>51,780</u>
Building Improvements		\$ 548,705
Less: Accumulated Depreciation		<u>(21,948)</u>
Total		\$ <u>526,757</u>

The following is a schedule of the future minimum lease payments under capital leases and the present value of net minimum lease payments at December 31, 2003:

	<u>General Long-Term Obligations</u>	<u>Waste Water Enterprise Fund</u>	<u>Golf Course Enterprise Fund</u>
2004	\$ 236,103	\$ 70,396	\$ 7,699
2005	237,467	70,396	7,700
2006	127,239	70,396	7,700
2007	3,007	70,396	-
2008-2011	<u>2,005</u>	<u>281,582</u>	<u>-</u>
Total Minimum Lease Payments	605,821	563,166	23,099
Less: Amount Representing Interest	<u>49,995</u>	<u>103,658</u>	<u>1,930</u>
Present Value of Net Minimum Lease Payments	\$ <u>560,826</u>	\$ <u>459,508</u>	\$ <u>21,169</u>

# City of Euclid, Ohio

## Notes to the Financial Statements

### December 31, 2003

---

#### Note 8: Notes Payable

Note debt activity for the year ended December 31, 2003 consisted of the following:

	Balance December 31, 2002	Issued	Balance December 31, 2003
General Obligation Notes			
2% Beverly Hills Drive	\$ -	\$ 1,200,000	\$ 1,200,000
2% Building of Senior Center (additional)	-	2,500,000	2,500,000
2% Renovating Golf Course Clubhouse	-	1,200,000	1,200,000
2% Improving Streets and City Property	-	20,000	20,000
2% Improving Parks	-	60,000	60,000
2% Motorized Vehicles (additional)	-	360,000	360,000
2% Resurfacing and Improving Streets (additional)	-	362,000	362,000
2% Improving Buildings and Structures	-	396,000	396,000
	<u>-</u>	<u>6,098,000</u>	<u>6,098,000</u>
Total notes payable	\$ -	\$ 6,098,000	\$ 6,098,000

#### Note 9: Pension Plans

##### A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, contribute to the Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans as described below:

- The traditional pension plan (TP) – a cost sharing multiple-employer defined benefit pension plan.
- The member-directed plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- The combined plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the combined plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 9: Pension Plans (continued)**

#### **A. Public Employees Retirement System (continued)**

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the traditional plan. City employees are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer contribution rate for the City was 13.55 percent of covered payroll. The City's contributions to the OPERS for the years ended December 31, 2003, 2002 and 2001 were \$1,073,592, \$1,186,078, and \$1,336,279, respectively. The full amount has been contributed for 2002 and 2001. 77.7 percent has been contributed for in 2003, with the remainder being presented as "intergovernmental payable" in the governmental activities column of the statement of net assets.

#### **B. Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The City of Euclid contributions to OP&F for the years ending December 31, 2003, 2002, and 2001, were \$2,285,331, \$2,403,203, and \$2,463,889, respectively, equal to the required contributions for each year.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 10: Post Employment Benefits**

#### **A. Public Employees Retirement System**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55 percent of covered payroll; 5.0 percent was the portion used to fund health care for the year. During 2003, the City's portion that was used to fund health care was \$627,832, representing 5.0 percent of covered payroll.

The postretirement health care coverage is advance-funded on an actuarially determined basis. The following assumptions and calculations were based on PERS's latest actuarial review performed as of December 31, 2002; an entry age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities; the difference between assumed and actual experience is part of the unfunded actuarial accrued liability; the investment assumption rate for 2002 was 8.0 percent; all investments are carried at market value; for actuarial valuation purposes, a smoothed market approach is used – meaning that assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets; individual pay increases are assumed to increase 4.0 percent compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.0 percent base increase were assumed to range from 0.50 percent to 6.3 percent; and health care costs are assumed to increase 4.0 percent annually. The actuarially accrued postretirement health care liability for PERS at December 31, 2003 was \$18.7 billion. The net assets were \$10 billion, leaving an unfunded actuarial accrued liability of \$8.7 billion. The number of active participants was 364,881.

#### **B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund ("OP&F") provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.



# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 10: Post Employment Benefits (continued)**

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (“OPEB”) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer’s contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Ohio Police and Fire Pension Fund’s Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2002 and 2003, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, was 13,527 for police and 10,396 for firefighters. The City’s actual contributions for 2003 that were used to fund post-employment benefits were \$452,389 for police and \$370,406 for firefighters. OP&F’s total health care expenses for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of member contributions of \$12,623,875.

### **Note 11: Risk Management**

The City is exposed to various risks of loss related to property, machinery, general liability, workers’ compensation and employees medical benefits.

The City of Euclid is self-funded with regard to general liability, and has been since 1988. An internal service fund is used to process claims made against the City. The fund was created to accumulate monies within the General Fund to pay third-party claims against the City. The City’s Administrative Code included provisions that the council shall annually appropriate funds to cover the costs of this fund. The City annually appropriates transfers to the Self-Insurance Fund sufficient to cover its cash basis requirements.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 11: Risk Management (continued)**

Contracts with commercial insurance companies exist to provide property, boiler and machinery insurance. The City carries a commercial package property insurance policy for blanket coverage in excess of \$88,000,000. The policy coverage includes loss of business income for specific locations, personal property, crime, securities and property in the open. The deductible payable by the City is \$10,000. The City also carries a boiler and machinery policy through a commercial insurance carrier with a \$50,000,000 limit. The deductible for this coverage is \$10,000 and the limit per occurrence is \$1,000,000 for all related claims submitted under the policy.

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

The City accounts for its insurance premiums as well as its deductibles in the General Fund. Based on the requirements of Government Accounting Standards Board Statement No. 10, a liability for claims should be reported if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. The City believes that, pursuant to these standards, no liability exists at December 31, 2003.

The City of Euclid provides to eligible employees a comprehensive major medical plan, which includes dental coverage. Some employees have an individual deductible of \$150 or co-insurance of \$125; for families the deductible is \$250 or the co-insurance is \$185. After the deductibles or co-insurances have been met the medical plan covers 90% of the usual, customary and reasonable charges. The remaining employees are under the prior medical plan agreement which pays 100% of the usual, customary and reasonable charges. Dental insurance for employees has no deductible. The medical and dental plan is self-funded utilizing a third party administrator. The plan has a catastrophic coverage at a threshold of \$100,000 per occurrence. Employee medical and dental benefits are charged to the various funds of the City in accordance with where an employee's salary is charged.

The City is required to purchase workers' compensation insurance through the State of Ohio. The City applied for and was accepted into the State's Retrospective Rating Plan whereby the City initially pays a fraction of the premium (the minimum premium) it would pay as an experience-rated risk. As costs for the City's injured workers' claims are incurred, the City must reimburse the State fund for those costs, subject to the plan's individual claim cost limitation and the City's premium limitation. The City pays workers' compensation claims from various funds based on payroll allocations. The City's retrospective rating plan provides for a \$250,000 catastrophic limit per claim and an unlimited claim limit.

At December 31, 2003, \$2,991,440 has been accrued (in various funds of the City as a component of Due to Other Governments) for workers' compensation claims representing estimates of amounts to be paid for reported claims and incurred but not reported claims based upon the current available information.

# City of Euclid, Ohio

## Notes to the Financial Statements

### December 31, 2003

---

#### **Note 11: Risk Management (continued)**

The schedule below presents the changes in Workers' Compensation claims liabilities as of December 31, 2003:

	<u>2003</u>	<u>2002</u>
Beginning of Fiscal Year Liability	\$ 3,215,055	\$ 3,497,395
Current Year Claims and Changes in Estimates	(17,055)	82,160
Claim Payments	<u>(317,500)</u>	<u>(364,500)</u>
Balance at Fiscal Year End	\$ <u>2,880,500</u>	\$ <u>3,215,055</u>

#### **Note 12: Commitments**

##### *Federal and State Grants*

Under the terms of various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2003, there were no questioned costs that had not been resolved with various federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of City officials, no material grant expenditures will be disallowed.

##### *Worker's Compensation*

Beginning in 1989, the City elected to participate in the Retrospective Rating Program provided by the Ohio Bureau of Worker's Compensation (OBWC). Under this program, the City will be required to make a final payment on claims, once ten years has elapsed. The OBWC will calculate the amount due to cover future liabilities on the claims; and thus assume the liability from the City on an ongoing basis. The City is not able to estimate the amount of the future payment at December 31, 2003 and, therefore, no liability has been recorded in the government-wide financial statements.

##### *Financial Matters*

Over the past few years, the City has been operating at a level whereby certain governmental fund types have incurred a deficiency of revenues over expenditures and debt levels have increased. The City continues to evaluate alternative measures to increase revenues and/or reduce expenditures to improve its financial position.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### Note 13: Interfund Activity

#### A. Interfund Balances and Transfers

The General Fund has an interfund receivable from the Community Development Block Grant Fund in the amounts of \$22,029.

#### B. Operating Transfers

Interfund transfers for the year ended December 31, 2003, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>			
	<u>General</u>	<u>Waste Water</u>	<u>Nonmajor</u>	<u>Total</u>
General Fund	\$ -	\$ 286,456	\$ -	\$ 286,456
Capital Bond and Note Construction Fund	-	-	35,834	35,834
Nonmajor Governmental Funds	<u>264,590</u>	<u>-</u>	<u>-</u>	<u>264,590</u>
Total	<u>\$ 264,590</u>	<u>286,456</u>	<u>35,834</u>	<u>586,880</u>

### Note 14: Contingencies/Pending Litigation

The City is a party to various legal proceedings for which it has established accruals for estimated loss contingencies. In the opinion of the City Law Director, the ultimate disposition of these proceedings will not have a material, adverse effect on the City's financial position or results of operations.

### Note 15: Solid Waste

In accordance with a notice letter received from the Ohio Environmental Protection Agency, the City of Euclid executed the final closure financial assurance instrument for the temporary solid waste transfer station by the required deadline. The sum of post-closure cost estimate assured by the financial test was \$180,000 and the City met all of the requirements set forth by Ohio Administrative Code Rule 3745-27-17. The City does not currently accrue a liability for this cost. This treatment is in accordance with the Government Accounting Standards Board.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### **Note 16: Accountability – Fund Equity Deficit**

#### *Special Revenue Fund*

The Community Development Block Grant Fund and the Recreation Operating Fund have fund deficits of \$206,853 and \$36,819, respectively, due to the application of generally accepted accounting principles. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

#### *Capital Projects Funds*

The Capital Bond and Note Construction Fund has a fund deficit of \$312,293 due to the application of accounting principles generally accepted in the United States of America. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

#### *Internal Service Fund*

This fund has a retained earnings deficit in the amount of \$2,336,239, due to an increase in claims payable. The General Fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

### **Note 17: Change in Accounting Principles and Restatement of Prior Year Fund Balances**

#### **A. Changes in Accounting Principles**

For 2003, the City has implemented GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”, GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”; GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on a accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-Major funds are presented in total in one column.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

### Note 17: Change in Accounting Principles and Restatement of Prior Year Fund Balances (continued)

#### A. Changes in Accounting Principles (continued)

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The City has also implemented a new capital asset policy increasing the capitalization threshold for capital assets from \$1,000 to \$5,000.

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

#### B. Restatement of Fund Balance

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Bond and Note Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance, December 31, 2002	\$ 5,097,684	\$ 3,024,670	\$ 408,804	\$ 996,213	\$ 9,527,371
Reclassification adjustments:					
Fund reclassification					
Long-term compensated absences	-	-	-	-	-
Capital assets	-	-	-	-	-
Removal of accrued interest payable	-	-	-	-	-
Properly record intergovernmental, revenue	618,588	-	-	-	618,588
Properly record income tax retainage payable	-	-	-	-	-
Fund Balance, December 31, 2002, restated	<u>\$ 5,716,272</u>	<u>\$ 3,024,670</u>	<u>\$ 408,804</u>	<u>\$ 996,213</u>	<u>\$ 10,145,959</u>
GASB 34 Adjustments:					
Capital assets					48,838,158
Long-term liabilities					(228,074)
Accrued wages and benefits					(39,476,274)
Long-term (deferred) assets					7,965,458
Accrued interest payable					<u>(167,599)</u>
Governmental Activities Net Assets, December 21, 2002					<u>\$ 27,077,628</u>

# City of Euclid, Ohio

## Notes to the Financial Statements

**December 31, 2003**

---

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Total Business-type Activities</u>
	<u>Sewage Treatment Fund</u>	<u>Internal Service Fund</u>	
Fund Balance, December 31, 2002	\$ 22,651,979	\$ 7,205,321	\$ 29,857,300
Reclassification adjustments:			
Restatement of notes payable	(98,279)	-	(98,279)
Restatement of long-term (deferred) assets	44,011	-	44,011
Restatement of capital assets	<u>3,861,266</u>	<u>710,357</u>	<u>4,571,623</u>
Business-Type Activities Net Assets, December 21, 2002	<u>\$ 26,458,977</u>	<u>\$ 7,915,678</u>	<u>\$ 34,374,655</u>

The Municipal Court Agency Fund's assets and liabilities beginning balances were restated by \$127,750 due to an overstatement in the prior year.

**This page intentionally left blank**



## **City of Euclid, Ohio**

### Combining Statements and Individual Fund Schedules – Nonmajor Governmental Funds

---

#### ***Nonmajor Special Revenue Funds***

##### *Streets and Highways Fund*

Accounts for revenues from state license and gas taxes which are used for the repair, maintenance and construction associated with the City's streets.

##### *Community Development Block Grant Fund*

Accounts for revenues and expenditures related to the Community Development Block Grant Program of the United States Department of Housing and Urban Development.

##### *Recreation Operating Fund*

Accounts for operations and maintenance of all recreational facilities within the City as well as City sponsored recreation programs which are funded by participation fees and facility rentals.

##### *Court Computerization Fund*

Accounts for revenues and expenditures related to fees collected through the Municipal Court for Computerization of the Court and the Clerk of Courts office.

##### *Animal Shelter Fund*

Accounts for revenues and expenditures related to the Euclid animal Shelter.

##### *Other Grants Fund*

Accounts for revenues and expenditures related to federal and state grants.

#### ***Nonmajor Capital Projects Funds***

##### *Capital Improvement Fund*

To account for miscellaneous revenues which fund capital projects.

# City of Euclid, Ohio

## Combining Balance Sheet Nonmajor Governmental Funds

**December 31, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,061,725	\$ 1,574,197	\$ 2,635,922
Taxes receivable	449,806	588,207	1,038,013
Accounts receivable	428,323	-	428,323
Interest receivable	52	46	98
Intergovernmental receivable	781,859	24,460	806,319
Special assessments receivable	-	182,255	182,255
Materials and supplies inventory	170,481	-	170,481
Total assets	<u>\$ 2,892,246</u>	<u>\$ 2,369,165</u>	<u>\$ 5,261,411</u>
<b>Liabilities and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 83,515	\$ 226,901	\$ 310,416
Accrued wages and benefits	187,944	-	187,944
Due to other governments	402,904	-	402,904
Due to other funds	22,029	-	22,029
Deferred revenue	942,334	794,921	1,737,255
Accrued interest payable	-	14,310	14,310
Notes payable	-	1,198,000	1,198,000
Total liabilities	<u>1,638,726</u>	<u>2,234,132</u>	<u>3,872,858</u>
<b>Fund balance:</b>			
Reserve for encumbrances	100,463	178,625	279,088
Reserve for inventory	170,481	-	170,481
<b>Unreserved:</b>			
<b>Undesignated (deficits), reported in:</b>			
Special revenue funds	982,576	-	982,576
Capital projects funds	-	(43,592)	(43,592)
Total fund balances	<u>1,253,520</u>	<u>135,033</u>	<u>1,388,553</u>
Total liabilities and fund balances	<u>\$ 2,892,246</u>	<u>\$ 2,369,165</u>	<u>\$ 5,261,411</u>

## City of Euclid, Ohio

### Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Non-Major Governmental Funds

#### For The Year Ended December 31, 2003

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<u>Revenue</u>			
Property taxes	\$ 1,944,434	\$ 599,318	\$ 2,543,752
Intergovernmental	1,971,718	90,146	2,061,864
Charges for services	1,964,599	25,217	1,973,936
Fines and forfeitures	104,074	-	104,074
Special assessments	-	14,037	14,037
Investment income	2,797	3,186	5,983
Rents and royalties	42,724	-	42,724
Other	201,474	6,540	208,014
Total revenues	<u>6,232,027</u>	<u>738,444</u>	<u>6,954,384</u>
<u>Expenditures</u>			
Current:			
General government	165,235	28,067	177,422
Public safety	927,241	305,338	1,232,579
Streets and highways	1,422,029	397,545	1,819,574
Refuse collection and disposal	75,056	39,969	115,025
Public health and welfare	5,298	83,208	88,506
Culture and recreation	1,039,179	439,574	1,478,753
Community development	1,396,997	503,456	1,900,453
Debt service:			
Principal retirement	162,638	264,872	427,510
Interest and fiscal charges	234,856	40,930	275,786
Total expenditures	<u>5,428,736</u>	<u>2,102,959</u>	<u>7,515,608</u>
Excess of revenues over (under) expenditures	<u>803,291</u>	<u>(1,364,515)</u>	<u>(561,224)</u>
Other financing sources (uses):			
Proceeds from sale of fixed assets	-	724,808	724,808
Transfers in	264,590	-	264,590
Transfers out	-	(35,834)	(35,834)
Total other financing sources (uses)	<u>264,590</u>	<u>688,974</u>	<u>953,564</u>
Net change in fund balance	1,067,881	(675,541)	392,340
Fund balances at beginning of year	<u>185,639</u>	<u>810,574</u>	<u>996,213</u>
Fund balances at end of year	\$ <u>1,253,520</u>	\$ <u>135,033</u>	\$ <u>1,388,553</u>

## City of Euclid, Ohio

### Combining Balance Sheet Non-Major Special Revenue Funds

**December 31, 2003**

	<u>Streets and Highway</u>	<u>Community Development Block Grant</u>	<u>Recreation Operating</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 334,398	\$ 12,692	\$ 66,830
Taxes receivable	-	-	449,806
Accounts	420,567	-	-
Interest receivable	46	-	-
Intergovernmental	715,544	-	18,704
Materials and supplies inventory	116,925	-	2,406
Total assets	<u>\$ 1,587,480</u>	<u>\$ 12,692</u>	<u>\$ 537,746</u>
<b>Liabilities and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 46,130	\$ 13,336	\$ 18,530
Accrued wages and benefits	101,268	36,142	27,047
Due to other governments	193,863	148,038	60,477
Interfund Payable	-	22,029	-
Deferred revenue	473,823	-	468,511
Total liabilities	<u>815,084</u>	<u>219,545</u>	<u>574,565</u>
<b>Fund balances:</b>			
Reserve for encumbrances	50,643	5,148	1,530
Reserve for inventory	116,925	-	2,406
Unreserved; undesignated (deficit)	<u>604,828</u>	<u>(212,001)</u>	<u>(40,755)</u>
Total fund balances (deficit)	<u>772,396</u>	<u>(206,853)</u>	<u>(36,819)</u>
Total liabilities and fund balances	<u>\$ 1,587,480</u>	<u>\$ 12,692</u>	<u>\$ 537,746</u>

---

	<u>Court Computerization</u>	<u>Animal Shelter</u>	<u>Other Grants</u>	<u>Total</u>
\$	162,840	\$	431,219	\$ 1,061,725
	-	-	-	449,806
	7,756	-	-	428,323
	-	-	6	52
	-	-	47,611	781,859
	-	-	51,150	170,481
\$	<u>170,596</u>	\$	<u>53,746</u>	\$ <u>2,892,246</u>
\$	5,519	\$	-	\$ 83,515
	2,637	5,298	15,552	187,944
	-	-	526	402,904
	-	-	-	22,029
	-	-	-	942,334
	<u>8,156</u>	<u>5,298</u>	<u>16,078</u>	<u>1,638,726</u>
	-	-	43,142	100,463
	-	-	51,150	170,481
	<u>162,440</u>	<u>48,448</u>	<u>419,616</u>	<u>982,576</u>
	<u>162,440</u>	<u>48,448</u>	<u>513,908</u>	<u>1,253,520</u>
\$	<u>170,596</u>	\$	<u>53,746</u>	\$ <u>2,892,246</u>

## City of Euclid, Ohio

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Special Revenue Funds

#### For The Year Ended December 31, 2003

	<u>Streets and Highway</u>	<u>Community Development Block Grant</u>	<u>Recreation Operating</u>
Revenues:			
Property taxes	\$ 1,490,472	\$ -	\$ 453,962
Intergovernmental	74,305	1,408,286	-
Charges for services	1,368,114	207	584,749
Fines and forfeitures	-	-	-
Investment income	1,040	-	-
Rents and royalties	-	-	18,060
Other	4,049	-	-
Total revenues	<u>2,937,980</u>	<u>1,408,493</u>	<u>1,056,771</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	348,599	-	-
Streets and highways	1,422,029	-	-
Refuse collection and disposal	75,056	-	-
Public health and welfare	-	-	-
Culture and recreation	-	-	1,039,386
Community development	-	1,265,982	-
Debt service:			
Principal retirement	162,638	-	-
Interest and fiscal charges	234,856	-	-
Total expenditures	<u>2,243,178</u>	<u>1,265,982</u>	<u>1,039,386</u>
Excess of revenues over (under) expenditures	694,802	142,511	17,385
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	694,802	142,511	17,385
Fund balances (deficits) at beginning of year	<u>77,594</u>	<u>(349,364)</u>	<u>(54,204)</u>
Fund balances (deficits) at end of year	\$ <u>772,396</u>	\$ <u>(206,853)</u>	\$ <u>(36,819)</u>

---

	<u>Court Computerization</u>	<u>Animal Shelter</u>	<u>Other Grants</u>	<u>Total</u>
\$	-	\$ -	\$ -	\$ 1,944,434
	-	-	489,127	1,971,718
	-	11,529	-	1,964,599
	104,074	-	-	104,074
	-	-	1,757	2,797
	-	24,664	-	42,724
	-	53,372	144,260	201,681
	<u>104,074</u>	<u>89,565</u>	<u>635,144</u>	<u>6,232,027</u>
	-	-	165,235	165,235
	111,745	200,409	266,488	927,241
	-	-	-	1,422,029
	-	-	-	75,056
	-	5,298	-	5,298
	-	-	-	1,039,386
	-	-	131,015	1,396,997
	-	-	-	162,638
	-	-	-	234,856
	<u>111,745</u>	<u>205,707</u>	<u>562,738</u>	<u>5,428,736</u>
	(7,671)	(116,142)	72,406	803,291
	<u>-</u>	<u>164,590</u>	<u>100,000</u>	<u>264,590</u>
	(7,671)	48,448	172,406	1,067,881
	<u>170,111</u>	<u>-</u>	<u>341,502</u>	<u>185,639</u>
\$	<u><u>162,440</u></u>	<u><u>48,448</u></u>	<u><u>513,908</u></u>	<u><u>1,253,520</u></u>

**This page intentionally left blank**



## **City of Euclid, Ohio**

### Combining Statements – Agency Funds

---

#### ***Agency Funds***

##### *Municipal Court Fund*

Accounts for money received by the City's Municipal Court for fines and court costs which are distributed to the City, State and various other State Agencies.

##### *Building Deposits Fund*

Accounts for building deposits received and disbursed by the City's building and housing Department

##### *Other Agency Fund*

Accounts primarily for the Workers Compensation which is charged to each fund monthly and deposited into this fund. Workers compensation is then paid to the state annually from this fund.

# City of Euclid, Ohio

## Combining Statement of Assets and Liabilities Agency Funds

**December 31, 2003**

---

	<u>Municipal Court</u>	<u>Building Deposits</u>	<u>Other Agency Funds</u>	<u>Total Agency Funds</u>
Assets:				
Cash and cash equivalents	\$ <u>94,191</u>	\$ <u>487,908</u>	\$ <u>219,065</u>	\$ <u>801,164</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 17,448	\$ 17,448
Due to other funds	94,191	-	-	94,191
Deposits held	<u>-</u>	<u>487,908</u>	<u>201,617</u>	<u>689,525</u>
Total liabilities	\$ <u>94,191</u>	\$ <u>487,908</u>	\$ <u>219,065</u>	\$ <u>801,164</u>

## City of Euclid, Ohio

### Agency Funds Combining Statements of Changes in Assets and Liabilities

#### **For The Year Ended December 31, 2003**

	Balance January 1, 2003, Restated	Additions	Deletions	Balance December 31, 2003
<b><u>Municipal Court</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 70,566	\$ 2,986,511	\$ 2,962,886	\$ 94,191
Total assets	\$ 70,566	\$ 2,986,511	\$ 2,962,886	\$ 94,191
<b><u>Liabilities</u></b>				
Due to other governments	\$ 70,566	\$ 2,986,511	\$ 2,962,886	\$ 94,191
Total liabilities	\$ 70,566	\$ 2,986,511	\$ 2,962,886	\$ 94,191
<b><u>Building Deposits</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 377,376	\$ 266,005	\$ 155,473	\$ 487,908
Accounts receivable	144,760	-	144,760	-
Total assets	\$ 522,136	\$ 266,005	\$ 300,233	\$ 487,908
<b><u>Liabilities</u></b>				
Deposits held	\$ 522,136	\$ 266,005	\$ 300,233	\$ 487,908
Total liabilities	\$ 522,136	\$ 266,005	\$ 300,233	\$ 487,908
<b><u>Other Agency Funds</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 625,344	\$ 25,744,818	\$ 26,151,097	\$ 219,065
Total assets	\$ 625,344	\$ 25,744,818	\$ 26,151,097	\$ 219,065
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 17,448	\$ -	\$ 17,448
Deposits held	625,344	25,727,370	26,151,097	201,617
Total liabilities	\$ 625,344	\$ 25,744,818	\$ 26,151,097	\$ 219,065
<b><u>Totals – All Agency Funds</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,073,286	\$ 28,997,334	\$ 29,269,456	\$ 801,164
Accounts receivable	144,760	-	144,760	-
Total assets	\$ 1,218,046	\$ 28,997,334	\$ 29,414,216	\$ 801,164
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 17,448	\$ -	\$ 17,448
Due to other	70,566	2,986,511	2,962,886	94,191
Deposits held	1,147,480	25,993,375	26,451,330	689,525
Total liabilities	\$ 1,218,046	\$ 28,997,334	\$ 29,414,216	\$ 801,164

**Individual Fund Schedules of  
Revenues, Expenditures and Changes  
In Fund Balances -  
Budget (Non – GAAP Basis) and Actual**

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### General Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 22,612,119	\$ 22,474,322	\$ 22,282,069	\$ (192,253)
Intergovernmental	3,402,138	3,378,966	3,350,213	(28,753)
Charges for services	2,976,897	2,956,621	2,931,462	(25,159)
License/permit and inspection fees	328,278	326,042	323,268	(2,774)
Fines and forfeitures	1,390,676	1,381,204	1,369,451	(11,753)
Investment income	168,637	167,488	166,063	(1,425)
Rents and royalties	221,843	220,333	218,457	(1,876)
Other	<u>35,229</u>	<u>34,989</u>	<u>34,691</u>	<u>(298)</u>
Total revenues	<u>31,135,817</u>	<u>30,939,965</u>	<u>30,675,674</u>	<u>(264,291)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	10,232,923	10,246,552	10,000,241	246,311
Public safety	18,483,564	18,738,325	18,800,005	(61,680)
Refuse collection and disposal	1,787,556	1,761,948	1,758,009	3,939
Public health and welfare	377,296	222,146	210,153	11,993
Culture and recreation	825,604	788,916	810,711	(21,795)
Community development	562,371	539,163	546,133	(6,970)
<b>Debt service:</b>				
Principal retirement	65,000	65,000	70,000	(5,000)
Interest and fiscal charges	<u>152,000</u>	<u>148,806</u>	<u>145,612</u>	<u>3,194</u>
Total expenditures	<u>32,486,314</u>	<u>32,510,856</u>	<u>32,340,864</u>	<u>169,992</u>
Excess of revenues over (under) expenditures	<u>(1,350,497)</u>	<u>(1,570,891)</u>	<u>(1,665,190)</u>	<u>(94,299)</u>
<b>Other financing sources (uses):</b>				
Transfers – in	286,456	286,456	286,456	-
Transfers – out	<u>(310,000)</u>	<u>(474,590)</u>	<u>(228,651)</u>	<u>245,939</u>
Total other financing sources (uses)	<u>(23,544)</u>	<u>(188,134)</u>	<u>57,805</u>	<u>245,939</u>
Net change in fund balance	(1,374,041)	(1,759,025)	(1,607,385)	151,640
Unencumbered fund balance at beginning of year	<u>3,597,881</u>	<u>3,597,881</u>	<u>3,597,881</u>	<u>-</u>
Unencumbered fund balance at end of year	\$ <u>2,223,840</u>	\$ <u>1,838,856</u>	\$ <u>1,990,496</u>	\$ <u>151,640</u>

## City of Euclid, Ohio

### Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

#### Debt Service Fund

#### For The Year Ended December 31, 2003

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 3,130,897	\$ 3,130,897	\$ 3,102,471	\$ (28,426)
Charges for services	32,069	32,068	24,331	(7,737)
Fines and forfeitures	36,716	36,716	27,858	(8,858)
Special assessments	183,891	183,891	139,525	(44,366)
Investment income	144,590	144,590	109,706	(34,884)
Total revenues	<u>3,528,163</u>	<u>3,528,162</u>	<u>3,403,891</u>	<u>(124,271)</u>
Expenditures:				
Current:				
General government	-	-	(1,072)	1,072
Debt service:				
Principal retirement	2,132,138	2,282,289	2,200,000	82,289
Interest and fiscal charges	<u>1,417,862</u>	<u>1,517,711</u>	<u>1,464,162</u>	<u>53,549</u>
Total expenditures	<u>3,550,000</u>	<u>3,800,000</u>	<u>3,663,090</u>	<u>136,910</u>
Net change in fund balance	(21,837)	(271,838)	(259,199)	12,639
Unencumbered fund balances at beginning of year	<u>2,987,572</u>	<u>2,987,572</u>	<u>2,987,572</u>	-
Unencumbered fund balances at end of year	\$ <u>2,965,735</u>	\$ <u>2,715,734</u>	\$ <u>2,728,373</u>	\$ <u>12,639</u>

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Capital Bond and Note Construction Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Special assessments	\$ 48,816	\$ 56,500	\$ 50,844	\$ (5,656)
Investment income	88	1,805	1,721	(84)
Other	317	6,510	6,206	(304)
Total revenues	<u>49,221</u>	<u>64,815</u>	<u>58,771</u>	<u>(6,044)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	4,338	82,139	(2,649)	84,788
Public safety	-	-	2,909,557	(2,909,557)
Culture and recreation	251,949	3,874,148	821,244	3,052,904
Community development	<u>50,000</u>	<u>195,709</u>	<u>90,026</u>	<u>105,683</u>
Total expenditures	<u>306,287</u>	<u>4,151,996</u>	<u>3,818,178</u>	<u>333,818</u>
Excess of revenues over (under) expenditures	<u>(257,066)</u>	<u>(4,087,181)</u>	<u>(3,759,407)</u>	<u>327,774</u>
<b>Other financing sources (uses):</b>				
Debt proceeds	189,244	3,881,334	3,700,000	(181,334)
Transfers – in	<u>-</u>	<u>-</u>	<u>35,834</u>	<u>35,834</u>
Total other financing sources (uses)	<u>189,244</u>	<u>3,881,334</u>	<u>3,735,834</u>	<u>(145,500)</u>
Net change in fund balances	(67,822)	(205,847)	(23,573)	182,274
Unencumbered fund balances at beginning of year	<u>373,763</u>	<u>373,763</u>	<u>373,763</u>	<u>-</u>
Unencumbered fund balances at end of year	\$ <u>305,941</u>	\$ <u>167,916</u>	\$ <u>350,190</u>	\$ <u>182,274</u>

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Waste Water Enterprise Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 10,167,413	\$ 10,768,405	\$ 10,384,425	\$ (383,980)
Sewer levy	708,517	708,517	709,661	1,144
License, permit and inspection fees	21,901	21,901	21,175	(726)
Investment income	82,727	83,248	983	(82,265)
Intergovernmental	<u>643,405</u>	<u>1,383,849</u>	<u>1,383,870</u>	<u>21</u>
Total revenues	<u>11,623,963</u>	<u>12,965,920</u>	<u>12,500,114</u>	<u>(465,806)</u>
<b>Expenses:</b>				
<b>Current:</b>				
Personal services	4,514,626	4,514,626	3,624,186	890,440
Materials and supplies	1,044,323	1,044,323	923,501	120,822
Contractual services	4,304,278	5,354,083	4,862,242	491,841
Utilities	947,589	947,589	739,630	207,959
Claims	50,514	50,514	39,342	11,172
<b>Debt service:</b>				
Principal retirement	1,496,151	1,714,086	1,433,592	280,494
Interest and fiscal charges	<u>1,476,593</u>	<u>1,608,853</u>	<u>1,312,868</u>	<u>295,985</u>
Total expenses	<u>13,834,074</u>	<u>15,234,074</u>	<u>12,935,361</u>	<u>2,298,713</u>
Excess of revenues over (under) expenses	<u>(2,210,111)</u>	<u>(2,268,154)</u>	<u>(435,247)</u>	<u>1,832,907</u>
<b>Other financing sources (uses):</b>				
Transfers – in	2,507,200	2,507,200	2,507,200	-
Transfers – out	<u>(1,593,656)</u>	<u>(1,593,656)</u>	<u>(1,593,656)</u>	<u>-</u>
Total other financing sources (uses)	<u>913,544</u>	<u>913,544</u>	<u>913,544</u>	<u>-</u>
Net change in fund balance	(1,296,567)	(1,354,610)	478,297	1,832,907
Unencumbered fund balance at beginning of year	<u>5,279,909</u>	<u>5,279,909</u>	<u>5,279,909</u>	<u>-</u>
Unencumbered fund balances at end of year	\$ <u>3,983,342</u>	\$ <u>3,925,299</u>	\$ <u>5,758,206</u>	\$ <u>1,832,907</u>



## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Golf Course Enterprise Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 833,004	\$ 833,004	\$ 780,200	\$ (52,804)
Other local taxes	12,767	12,767	11,958	(809)
Total revenues	<u>845,771</u>	<u>845,771</u>	<u>792,158</u>	<u>(53,613)</u>
<b>Expenses:</b>				
<b>Current:</b>				
Personal services	584,118	584,118	494,923	89,195
Materials and supplies	116,943	116,943	98,933	18,010
Contractual services	158,483	158,483	152,478	6,005
Utilities	40,122	40,122	33,943	6,179
<b>Debt service:</b>				
Principal retirement	15,527	15,527	13,136	2,391
Interest and fiscal charges	2,397	2,397	2,028	369
Total expenses	<u>917,590</u>	<u>917,590</u>	<u>795,441</u>	<u>122,149</u>
Net change in fund balance	(71,819)	(71,819)	(3,283)	68,536
Unencumbered fund balance at beginning of year	<u>378,394</u>	<u>378,394</u>	<u>378,394</u>	<u>-</u>
Unencumbered fund balances at end of year	\$ <u>306,575</u>	\$ <u>306,575</u>	\$ <u>375,111</u>	\$ <u>68,536</u>

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Streets and Highways Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 1,447,770	\$ 1,460,668	\$ 1,490,472	\$ 29,804
Intergovernmental	83,442	83,442	27,207	(56,235)
Charges for services	3,229,643	3,232,265	1,243,937	(1,988,328)
Investment income	635	635	1,112	477
Other	4,093	4,130	4,049	(81)
Total revenues	<u>4,765,583</u>	<u>4,781,140</u>	<u>2,766,777</u>	<u>(2,014,363)</u>
<b>Expenditures:</b>				
Current:				
Public safety	378,556	382,005	345,455	36,550
Streets and highways	3,142,365	2,175,882	1,928,448	247,434
Refuse collection and disposal	82,731	83,485	78,359	5,126
Debt service:				
Principal retirement	476,133	197,021	162,638	34,383
Interest and fiscal charges	687,556	284,506	234,856	49,650
Total expenditures	<u>4,767,341</u>	<u>3,122,899</u>	<u>2,749,756</u>	<u>373,143</u>
Net change in fund balance	(1,758)	1,658,241	17,021	(1,641,220)
Unencumbered fund balances at beginning of year	<u>253,218</u>	<u>253,218</u>	<u>253,218</u>	<u>-</u>
Unencumbered fund balances at end of year	\$ <u>251,460</u>	\$ <u>1,911,459</u>	\$ <u>270,239</u>	\$ <u>(1,641,220)</u>

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Community Development Block Grant Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,239,807	\$ 2,292,078	\$ 1,408,286	\$ (883,792)
Charges for services	377	381	207	(174)
Total revenues	<u>2,240,184</u>	<u>2,292,459</u>	<u>1,408,493</u>	<u>(883,966)</u>
Expenditures:				
Current:				
Community development	<u>1,854,932</u>	<u>1,826,207</u>	<u>1,333,879</u>	<u>492,328</u>
Excess of revenues over (under) expenditures	385,252	466,252	74,614	(391,638)
Other financing sources (uses):				
Transfers – out	<u>-</u>	<u>(81,000)</u>	<u>(80,939)</u>	<u>61</u>
Net change in fund balance	385,252	385,252	(6,325)	(391,577)
Unencumbered fund balances at beginning of year	<u>13,869</u>	<u>13,869</u>	<u>13,869</u>	<u>-</u>
Unencumbered fund balances at end of year	<u>\$ 399,121</u>	<u>\$ 399,121</u>	<u>\$ 7,544</u>	<u>\$ (391,577)</u>

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Recreation Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 460,535	\$ 460,535	\$ 453,962	\$ (6,573)
Charges for services	645,528	645,528	584,749	(60,779)
Rents and royalties	19,937	19,937	18,060	(1,877)
Other	4,295	4,295	3,891	(404)
Total revenues	<u>1,130,295</u>	<u>1,130,295</u>	<u>1,060,662</u>	<u>(69,633)</u>
Expenditures:				
Current:				
Culture and recreation	<u>1,137,429</u>	<u>1,137,429</u>	<u>1,055,816</u>	<u>81,613</u>
Net change in fund balance	(7,134)	(7,134)	4,846	11,980
Unencumbered fund balances at beginning of year	<u>60,454</u>	<u>60,454</u>	<u>60,454</u>	<u>-</u>
Unencumbered fund balances at end of year	\$ <u>53,320</u>	\$ <u>53,320</u>	\$ <u>65,300</u>	\$ <u>11,980</u>

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Court Computerization Fund

#### **For The Year Ended December 31, 2003**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ <u>97,430</u>	\$ <u>97,430</u>	\$ <u>100,268</u>	\$ <u>2,838</u>
Expenditures:				
Current:				
Public safety	<u>-</u>	<u>251,845</u>	<u>104,561</u>	<u>147,284</u>
Net change in fund balance	97,430	(154,415)	(4,293)	150,122
Unencumbered fund balances at beginning of year	<u>167,133</u>	<u>167,133</u>	<u>167,133</u>	<u>-</u>
Unencumbered fund balances at end of year	\$ <u><u>264,563</u></u>	\$ <u><u>12,718</u></u>	\$ <u><u>162,840</u></u>	\$ <u><u>150,122</u></u>

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Animal Shelter Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Charges for services	\$ -	\$ 5,266	\$ 11,529	\$ 6,263
Rents and royalties	-	11,266	24,664	13,398
Other	-	24,378	53,372	28,994
Total revenues	-	40,910	89,565	48,655
Expenditures:				
Current:				
Public Safety	-	205,500	200,409	5,091
Excess of revenues over (under) expenditures	-	(164,590)	(110,844)	53,746
Other financing sources (uses):				
Transfers – in	-	164,590	164,590	-
Net change in fund balance	-	-	53,746	-
Unencumbered fund balances at beginning of year	-	-	-	-
Unencumbered fund balances at end of year	\$ -	\$ -	\$ 55,746	\$ 53,746

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Other Grants Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 226,746	\$ 318,951	\$ 334,997	\$ 16,046
Charges for services	23,371	30,289	39,205	8,916
Investment income	29,602	46,746	50,380	3,634
Rents and royalties	-	11,266	24,664	13,398
Other	<u>239,135</u>	<u>182,287</u>	<u>228,632</u>	<u>46,345</u>
Total revenues	<u>518,854</u>	<u>589,539</u>	<u>677,878</u>	<u>88,339</u>
<b>Expenditures:</b>				
Current:				
General government	112,260	112,260	112,225	35
Public safety	345,137	645,501	538,826	106,675
Community development	<u>123,910</u>	<u>158,821</u>	<u>131,229</u>	<u>27,592</u>
Debt service:				
Total expenditures	<u>581,307</u>	<u>916,582</u>	<u>782,280</u>	<u>134,302</u>
Excess of revenues over (under) Expenditures	62,453	327,043	104,402	222,641
Other financing sources (uses)				
Operating transfers – in	-	264,590	264,590	-
Total other financing sources (uses)	-	264,590	264,590	-
Excess of revenues and other Financing sources over (under) Expenditures and other financing uses				
	62,453	62,453	160,188	222,641
Unencumbered fund balances at beginning of year	<u>285,621</u>	<u>285,621</u>	<u>285,621</u>	<u>-</u>
Unencumbered fund balances at end of year	\$ <u>223,168</u>	\$ <u>223,168</u>	\$ <u>445,809</u>	\$ <u>222,641</u>

## City of Euclid, Ohio

### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Capital Improvement Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Taxes	\$ 602,238	\$ 602,238	\$ 599,318	\$ (2,920)
Intergovernmental	37,661	37,661	90,146	52,485
Charges for services	46,822	456,829	764,762	307,933
Special assessments	(55,860)	(55,126)	14,037	69,163
Investment income	790	2,099	3,173	1,074
Total revenues	<u>631,651</u>	<u>1,043,701</u>	<u>1,471,436</u>	<u>427,735</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	152,997	180,852	123,343	57,509
Public safety	331,930	392,362	382,424	9,938
Streets and highways	553,062	644,650	494,450	150,200
Refuse collection and disposal	61,818	73,072	63,579	9,493
Public health and welfare	96,057	113,545	83,208	30,337
Culture and recreation	286,039	324,368	263,288	61,080
Community development	177,166	600,000	545,714	54,286
<b>Debt service:</b>				
Principal retirement	182,565	212,324	160,407	51,917
Interest and fiscal charges	30,202	34,996	26,620	8,376
Total expenditures	<u>1,871,836</u>	<u>2,576,169</u>	<u>2,143,033</u>	<u>433,136</u>
Excess of revenues over (under) expenditures	<u>(1,240,185)</u>	<u>(1,532,468)</u>	<u>(671,597)</u>	<u>860,871</u>
<b>Other financing sources (uses):</b>				
Debt proceeds	752,145	957,001	1,198,000	240,999
Transfers - out	(35,834)	(35,834)	(35,834)	-
Total other financing sources (uses)	<u>716,311</u>	<u>921,167</u>	<u>1,162,166</u>	<u>240,999</u>
Net change in fund balance	(523,874)	(611,301)	490,569	1,101,870
Unencumbered fund balances at beginning of year	<u>878,345</u>	<u>878,345</u>	<u>878,345</u>	<u>-</u>
Unencumbered fund balances at end of year	\$ <u>354,471</u>	\$ <u>267,044</u>	\$ <u>1,368,914</u>	\$ <u>1,101,870</u>



## City of Euclid, Ohio

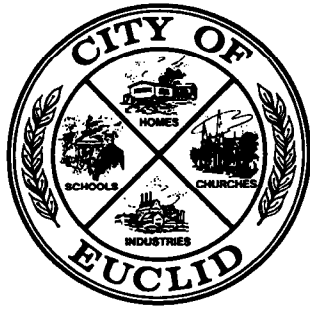
### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual

#### Internal Service Fund

#### **For The Year Ended December 31, 2003**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 5,415	\$ 5,415
Other	-	-	15,045	15,045
Total revenues	-	-	20,460	20,460
<b>Expenses:</b>				
Current:				
Personal services	101,879	101,879	76,614	25,265
Materials and supplies	1,761	1,761	1,321	440
Contractual services	50,935	50,935	38,203	12,732
Claims	445,739	445,739	334,321	111,418
Total expenses	600,314	600,314	450,459	149,855
Net change in fund balance	(600,314)	(600,314)	(429,999)	170,315
Unencumbered fund balances at beginning of year	1,000,814	1,000,814	1,000,814	-
Unencumbered fund balances at end of year	\$ 400,500	\$ 400,500	\$ 570,815	\$ 170,315

**This Page Intentionally Left Blank**



**CITY OF EUCLID, OHIO**  
**STATISTICAL SECTION**

# City of Euclid, Ohio

## General Governmental Expenditures By Function (1) (Amount In 000's)

Fiscal Year	Last Ten Fiscal Years										Total
	General Government	Public Safety	Streets And Highways	Refuse Collection And Disposal	Public Health And Welfare	Culture/ Recreation	Community Development	Capital Outlay	Debt Service		
1994	7,876	14,416	1,778	966	679	1,771	2,363	2,782	11,174	43,805	
1995	8,016	15,730	1,748	1,387	321	2,028	2,701	235	28,517	60,683	
1996	8,888	17,287	3,294	1,259	384	2,285	2,123	-	3,703	39,223	
1997	9,395	17,711	2,804	1,553	420	2,933	2,360	-	3,290	40,466	
1998	11,247	18,759	3,005	1,988	424	2,313	3,583	-	6,953	48,272	
1999	14,922	20,640	5,493	2,210	410	2,983	2,228	-	3,956	52,842	
2000	13,567	21,053	4,898	1,737	716	2,724	2,518	-	4,288	51,501	
2001	11,948	21,246	5,612	1,862	482	2,739	3,611	-	4,643	52,143	
2002	11,056	20,583	4,332	1,871	445	2,318	2,703	-	4,264	47,572	
2003	9,980	19,574	1,820	1,848	288	2,947	2,473	-	4,626	43,556	

NOTE: (1) Includes General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

**City of Euclid, Ohio**

**General Governmental Revenues By Source (1)  
(Amounts In 000's)**

**Last Ten Fiscal Years** **Table 2**

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Charges For Services</u>	<u>License/Permit And Inspection Fees</u>	<u>Fines And Forfeitures</u>	<u>Investment Income</u>	<u>Other</u>	<u>Total</u>
1994	26,850	2,377	2,656	237	1,169	424	723	34,436
1995	29,051	4,801	3,006	230	1,349	1,077	288	39,802
1996	29,823	4,591	3,063	197	1,557	1,294	758	41,283
1997	31,005	4,574	2,724	219	1,387	1,517	998	42,424
1998	33,401	5,195	3,491	218	1,642	1,403	416	45,766
1999	31,267	5,192	4,113	241	1,608	1,724	598	44,743
2000	31,502	5,252	4,063	260	1,464	1,650	845	45,036
2001	30,368	5,718	4,642	304	1,506	1,058	804	44,400
2002	26,811	5,377	4,150	306	1,364	297	630	38,935
2003	27,489	5,272	4,769	437	1,444	252	759	40,422

NOTE: (1) Includes General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.  
(2) Includes \$2,000,000 in revenue related to the recycling-transfer station agreement.

# City of Euclid, Ohio

## Property Tax Levies And Collections

**Last Ten Fiscal Years** **Table 3**

Delinquent Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent Of Total Tax Collections	Outstanding Delinquent Taxes	Percent Of Taxes To Levy
1994	\$ 9,089,635	\$ 7,856,584	86.4%	\$ 187,899	\$ 8,044,483	88.5%	\$ 832,711	9.2%
1995	8,644,603	7,616,218	88.1	174,516	7,790,734	90.1	628,556	7.3
1996	8,382,386	7,511,010	89.6	219,011	7,730,021	92.2	668,052	8.0
1997	9,057,723	7,372,636	81.4	167,871	7,540,507	83.2	700,358	7.7
1998	8,675,292	7,726,989	89.1	218,581	7,945,570	91.6	703,081	8.1
1999	7,397,989	7,103,735	96.0	223,873	7,327,608	99.0	590,818	7.9
2000	8,246,789	7,401,858	89.8	213,456	7,615,314	90.8	925,381	11.2
2001	8,106,268	7,125,178	87.9	174,586	7,299,765	90.1	715,050	8.8
2002	8,427,519	7,018,605	83.3	455,525	7,474,130	88.7	848,199	10.1
2003	8,362,242	6,980,585	83.5	387,847	7,368,432	88.1	1,188,319	14.2

SOURCE: Cuyahoga County Auditor

# City of Euclid, Ohio

## Assessed And Estimated Actual Value Of Taxable Property (Amounts In 000' s)

### Last Ten Fiscal Years

**Table 4**

Tax Collection Year	Real Property		Public Utility Property		Tangible Personal Property		Total	
	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value	Estimated Actual Value
1994	\$ 559,331	\$ 1,598,089	\$ 44,524	\$ 50,595	\$ 117,835	\$ 471,340	\$ 721,690	\$ 2,120,024
1995	618,820	1,768,056	44,078	50,088	111,021	444,083	773,919	2,262,227
1996	615,152	1,757,577	40,352	45,855	99,698	398,792	755,202	2,202,224
1997	614,788	1,756,537	38,624	43,891	111,984	447,936	765,396	2,248,364
1998	645,220	1,843,487	36,902	41,934	111,485	445,940	793,607	2,331,361
1999	643,826	1,839,502	36,010	40,920	110,781	443,124	790,617	2,323,546
2000	634,435	1,812,674	32,953	37,446	100,830	443,320	768,218	2,293,440
2001	694,216	1,983,474	31,693	36,015	102,559	410,236	828,469	2,429,725
2002	698,146	1,994,704	25,710	29,216	102,144	408,576	826,000	2,432,496
2003	701,794	2,005,123	24,563	27,913	90,128	360,512	816,485	2,393,548

SOURCE: Cuyahoga County Auditor

NOTES: (1) The assessed value is computed at approximately the following percentages of estimated actual value: real property, 35%; public utilities, 88%; tangible personal property, 25%.

# City of Euclid, Ohio

Assessed Value Of Real Property By Class (Amount In 000's)

**Last Ten Fiscal Years** **Table 5**

Tax Collection Year	Residential	Commercial	Industrial	Public Utility Real (1)	Total Real Property
1994	\$ 373,866	\$ 126,625	\$ 58,608	\$ 232	\$ 559,331
1995	426,026	138,123	54,398	273	618,820
1996	424,366	136,627	53,814	345	615,152
1997	424,531	137,425	52,462	370	614,788
1998	459,728	136,864	48,242	386	645,220
1999	459,091	135,744	48,573	418	643,826
2000	459,298	125,716	48,973	449	634,436
2001	502,678	132,244	58,858	436	694,216
2002	502,484	135,839	59,434	389	698,146
2003	549,168	143,498	58,711	518	751,895

SOURCE: Cuyahoga County Auditor

NOTE: (1) Railroads are now the only values included in this class.



# City of Euclid, Ohio

Property Tax Rates – Direct And Overlapping Governments  
(Per \$1,000 Of Assessed Value)

**Last Ten Fiscal Years** **Table 6**

Tax Collection Year	General Fund	(2) Recreation Operating	City of Euclid				Total City Rate	City, Library And School District		County	Total
			Bond Retirement	(1) Special Revenue	Capital Improvement	Sewer Levy		District	County		
1994	6.56	1.30	5.04	0.00	1.70	2.00	16.60	64.80	16.80	98.20	
1995	6.96	1.30	4.34	0.00	1.70	2.00	16.30	64.70	16.80	97.80	
1996	6.96	1.30	3.94	0.00	1.70	2.00	15.90	65.40	16.60	97.90	
1997	6.92	1.30	3.88	0.00	1.70	2.00	15.80	65.50	16.60	97.90	
1998	6.92	1.30	3.88	0.00	1.70	2.00	15.80	65.40	16.60	97.80	
1999	6.72	1.30	3.88	0.00	1.70	2.00	15.60	65.30	15.30	96.20	
2000	6.72	1.30	3.88	0.00	1.70	2.00	15.60	72.20	15.30	103.10	
2001	6.72	1.30	3.88	0.00	1.70	2.00	15.60	72.80	16.20	104.60	
2002	6.72	1.30	3.88	0.00	1.70	2.00	15.60	73.10	16.20	104.90	
2003	6.72	1.30	3.88	0.00	1.70	2.00	15.60	88.40	16.45	106.40	

SOURCE: Cuyahoga County Auditor

NOTES: (1) Comprised of a \$0.30 rate for police pension and fire pension levies, respectfully.  
(2) The Recreation Operating rate was included in the General Fund rate prior to 1991.

# City of Euclid, Ohio

## Ratio Of Net General Bonded Debt To Assessed Value And Net Bonded Per Capita

**Last Ten Fiscal Years** **Table 7**

Fiscal Year	(1) Population	Assessed Value (000's)	Gross General Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1994	54,875	721,690	15,122,840	1,397,472	13,725,368	0.019	250.12
1995	54,875	773,919	23,515,880	3,570,884	19,944,996	0.026	363.46
1996	54,875	755,202	23,898,920	1,984,415	21,914,505	0.029	399.35
1997	54,875	765,396	22,266,960	2,580,322	19,686,638	0.026	358.75
1998	54,875	793,607	28,325,000	4,673,877	23,651,123	0.030	431.00
1999	54,875	790,617	27,915,000	4,566,409	23,348,591	0.030	425.49
2000	52,717	768,218	25,835,000	4,755,832	21,079,168	0.027	399.86
2001	52,717	828,469	35,325,000	3,533,956	31,791,044	0.038	603.05
2002	52,717	826,000	33,035,000	3,024,670	30,010,330	0.036	569.27
2003	52,717	816,485	30,635,000	2,764,898	27,870,102	0.029	528.67

NOTE: (1) Population data for 1989 through 1990 is assumed to be the same as that of the 1980 census as no subsequent data is available.

# City of Euclid, Ohio

## Computation Of Legal Debt Margin

**December 31, 2003**

**Table 8**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Value (2001 for 2002 Collection)	\$ 816,485,001	\$ 816,485,001
Legal Debt Limitation (Percent)	<u>10.50%</u>	<u>5.50%</u>
Legal Debt Limitation (Dollar)	<u>85,730,925</u>	<u>44,906,675</u>
Applicable Debt Outstanding	30,635,000	30,635,000
Less: Applicable Debt Service Fund Amounts	<u>2,764,898</u>	<u>2,764,898</u>
Net Indebtedness Subject to Limitation	<u>27,870,102</u>	<u>27,870,102</u>
Legal Debt Margin	\$ <u><u>57,860,823</u></u>	\$ <u><u>17,036,573</u></u>

NOTE: (1) Direct debt limitation based upon Section 133 of the Ohio Revised Code.

# City of Euclid, Ohio

## Computation Of Direct And Overlapping Debt

**December 31, 2002**

**Table 9**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City of Euclid (1)</u>	<u>Amount Applicable To City Of Euclid</u>
Direct:			
City of Euclid, Ohio	\$ 27,870,102	100.00%	\$ 27,870,102
Euclid City School District*	<u>12,765,083</u>	100.00%	<u>12,765,083</u>
Total Direct Debt	<u>40,635,185</u>		<u>40,635,185</u>
Overlapping:			
Cuyahoga County* (2)	183,239,636	2.86%	5,240,654
Regional Transit Authority*	<u>130,795,000</u>	2.86%	<u>3,740,737</u>
Total Overlapping Debt	<u>314,034,636</u>		<u>8,981,391</u>
Total Direct and Overlapping Debt	\$ <u>354,669,821</u>		\$ <u>49,616,576</u>

\*SOURCE: Cuyahoga County Auditor

NOTES: (1) The percentage of indebtedness of the City's overlapping political subdivisions was determined by dividing the City's assessed valuation by the total assessed valuation of each overlapping subdivision.

(2) The special taxing districts' debt (which includes the Cleveland Metropolitan Park District, Cuyahoga Community College and the Cleveland-Cuyahoga Port Authority) is included in the County total.

## City of Euclid, Ohio

### Ratio Of Annual Debt Service Expenditures For General Bonded Debt To Total General Governmental Expenditures

**Last Ten Fiscal Years**

**Table 10**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio Of Debt Service To Total General Governmental Expenditures</u>
1994	1,801,960	1,151,780	2,953,740	43,805,000	0.07
1995	8,746,960	908,497	9,655,457	60,683,000	0.16
1996	1,751,960	1,512,829	3,264,789	39,223,467	0.08
1997	1,631,960	1,346,415	2,978,375	40,465,908	0.07
1998	4,616,960	1,381,757	5,998,717	48,272,358	0.12
1999	2,035,000	1,570,559	3,605,559	52,674,063	0.07
2000	2,080,000	1,467,216	3,547,216	51,500,595	0.07
2001	2,005,000	1,649,881	3,654,881	52,143,513	0.07
2002	2,290,000	1,875,053	4,165,053	47,572,326	0.09
2003	2,400,000	1,725,161	4,125,161	43,556,203	0.09

NOTE: (1) Includes General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

# City of Euclid, Ohio

## Revenue Loan Coverage

### Last Ten Fiscal Years

Table 11

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994	10,450,750	7,507,468	2,943,282	361,299	1,252,615	1,613,914	1.82
1995	11,061,504	8,991,020	2,070,484	710,239	1,680,697	2,390,936	0.87
1996	9,478,725	7,811,294	1,667,431	756,587	1,690,356	2,446,943	0.68
1997	9,279,081	9,361,937	(82,856) (3)	807,942	1,682,148	2,490,090	(0.03)
1998	8,174,448	10,210,340	(2,035,892) (3)	863,334	1,583,607	2,446,941	(0.83)
1999	11,021,928	11,174,408	(152,480) (3)	850,695	1,450,526	2,301,221	(0.07)
2000	10,607,519	9,037,003	1,570,516	935,980	1,387,158	2,323,138	0.68
2001	10,941,808	11,112,666	(170,858) (3)	1,033,457	661,920	1,695,377	(0.10)
2002	11,059,168	8,980,923	2,078,245	1,107,956	1,330,339	2,438,295	0.85
2003	13,149,326	10,847,959	2,301,367	1,183,970	1,218,047	2,402,017	0.96

NOTE: (1) Gross revenues represent all operating and non-operating revenues in the Waste Water Fund with the exception of proceeds of notes.  
 (2) Direct operating expenses include expenses for personal services, materials and supplies, contractual services, utilities, depreciation and other.  
 (3) The Waste Water Fund has experienced operating losses. This fund had available cash balances and retained earnings to offset the recent operating deficits.

# City of Euclid, Ohio

## Principal Amount Of General Long- And Short-Term Debt

**Last Ten Fiscal Years** **Table 12**

	1998	1999	2000	2001	2002	2003
<b>LONG-TERM INDEBTEDNESS:</b>						
General Obligation Bonds -						
Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grade Crossing	45,000	25,000	-	-	-	-
Various Purposes	27,165,000	25,185,000	21,320,000	26,785,000	24,795,000	22,715,000
Waterline Improvements	1,025,000	990,000	955,000	920,000	885,000	845,000
Peterson Improvements	-	-	-	4,175,000	4,030,000	3,880,000
Development Revenue Bonds	-	-	1,890,000	1,830,000	1,765,000	1,695,000
Waterline Improvements	2,145,000	2,080,000	2,005,000	1,930,000	1,845,000	1,765,000
Heritage Drive	-	1,715,000	1,670,000	1,615,000	1,560,000	1,500,000
OPWC Loan	-	3,667,713	4,107,055	6,243,219	6,902,549	6,823,034
Enterprise Debt – OWDA Loans	20,284,868	20,303,427	19,367,447	18,333,990	17,226,034	16,042,064
Enterprise Debt – Capital Lease	38,454	26,468	32,051	12,855	539,513	480,677
<b>Total Long-Term</b>	<b>50,703,322</b>	<b>53,992,608</b>	<b>51,346,553</b>	<b>61,845,064</b>	<b>59,548,096</b>	<b>55,745,775</b>

Continued

# City of Euclid, Ohio

## Principal Amount Of General Long- And Short-Term Debt (Continued)

**Last Ten Fiscal Years** **Table 12**

	1998	1999	2000	2001	2002	2003
<b>SHORT-TERM INDEBTEDNESS:</b>						
General Obligation Bond	-	410,500	850,500	-	-	442,000
Anticipated Notes - Equipment, Street and City Property Improvement	375,000	-	-	-	-	-
Incinerator	-	-	234,000	-	-	-
Fire vehicles and apparatus	-	-	382,000	-	-	1,596,000
Municipal buildings improvement	-	221,500	465,500	-	-	360,000
Motorized Equipment	-	2,415,000	2,415,000	-	-	-
Various Purposes	-	-	2,200,000	-	-	-
Water Lines/Hydrants	-	2,810,000	2,810,000	-	-	-
Parklawn	2,040,000	-	-	-	-	-
Heritage	1,700,000	-	-	-	-	-
Jail Facility	-	68,000	68,000	-	-	-
Service Garage	-	600,000	600,000	-	-	-
Beverly Hills Drive	-	-	-	-	-	1,200,000
Senior Center	-	-	-	-	-	2,500,000
<b>Total Short-Term</b>	<b>4,115,000</b>	<b>6,525,000</b>	<b>10,025,000</b>	<b>-</b>	<b>-</b>	<b>6,098,000</b>
<b>Total Indebtedness</b>	<b>\$ 54,818,322</b>	<b>\$ 60,517,608</b>	<b>\$ 61,371,553</b>	<b>\$ 61,845,064</b>	<b>\$ 59,548,096</b>	<b>\$ 61,843,775</b>



# City of Euclid, Ohio

## Ratio Of Debt To Total Population, Assessed Value Of Real And Personal Property And Per Capita Income

**December 31, 2003**

**Table 13**

	1996	1997	1998	1999	2000	2001	2002	2003
Total Debt	49,877,868 \$	52,023,004 \$	54,818,322 \$	60,517,608 \$	61,371,553 \$	61,845,064 \$	59,548,096 \$	61,843,775 \$
Debt Per Capita	908.94 \$	948.03 \$	998.97 \$	1,102.83 \$	1,164.17 \$	1,173.15 \$	1,129.58 \$	1,173.13 \$
Percent Of Assessed Value	6.60%	6.80%	6.91%	7.65%	7.99%	7.46%	7.21%	7.15%
Debt Per Capita As A Percent Of Median Household Income	3.38%	3.52%	3.71%	3.95%	3.31%	3.34%	3.21%	3.34%

Note: (1) Per Capita Income From Complete 2000 U.S. Census was not available at time of printing.

# City of Euclid, Ohio

## Property Values, Bank Deposits And Construction

**December 31, 2003**

**Table 14**

Fiscal Year	Assessed Value Real And Personal Property (Amounts in 000's) (1)	Bank Deposits (Amounts in 000's) (2)	Building Permits Issued (3)	
			Number	Value
1994	\$ 721,690	\$ 20,885,453	1,161	\$ 17,242,834
1995	773,919	22,694,304	923	11,469,358
1996	755,202	27,068,211	1,060	10,170,356
1997	765,396	53,941,971 (4)	1,191	11,987,836
1998	793,607	58,904,596	1,132	11,398,567
1999	790,617	57,816,942	1,059	14,819,890
2000	768,218	61,943,764	1,115	25,979,662
2001	828,469	63,893,764	1,172	26,237,007
2002	826,000	95,761,917	1,286	39,586,980
2003	816,485	97,238,973	1,266	17,409,525

### SOURCES:

- (1) Cuyahoga County Auditor's Office Data Service (the values listed pertain to the year of collection).
- (2) Federal Reserve Bank of Cleveland (total demand, time and savings deposits for commercial banks in Cuyahoga County).
- (3) Division of Building and Housing, City of Euclid.
- (4) The majority of this increase is due to a merger/acquisition by Key Bank National Association.

# City of Euclid, Ohio

## Principal Property Taxpayers – Personal Property

**December 31, 2003**

**Table 15**

<u>Property Owner</u>	<u>Assessed Value</u>	<u>Percent Of Total Assessed Value Of Real Property</u>	<u>Percent Of Total Assessed Value</u>
Lincoln Electric Company	\$ 15,113,520	17.06%	1.75%
HC Starck, Inc.	8,917,690	10.07	1.03
Argo Tech Corporation	6,357,930	7.18	0.73
GE Lighting Inc	3,473,040	3.92	0.40
Turbine Engine Components	2,629,620	2.97	0.30
Stamco Industries, Inc.	2,509,920	2.83	0.29
Park Ohio Holdings Corp.	1,964,760	2.22	0.23
Kerr Lakeside Incorporated	1,715,700	1.94	0.20
Marine Mechanical Corp.	1,596,135	1.80	0.18
Home Depot USA Inc.	1,486,340	1.68	0.17
Mid America Steel Corp.	1,475,320	1.67	0.17
Hose Master Inc.	1,282,530	1.45	0.15
K-Mart Corporation	1,162,790	1.31	0.13
LBA Industries, Inc.	1,039,680	1.17	0.12
Tops Markets, LLC	<u>960,330</u>	<u>1.08%</u>	<u>0.11%</u>
Total	\$ <u>51,685,305</u>	<u>58.34%</u>	<u>5.97%</u>
Total Assessed Value of Personal Property	\$ <u>90,128,261</u>	<u>100.00%</u>	<u>10.24%</u>
Total Assessed Value	\$ <u>816,485,001</u>		<u>100.00%</u>

Source: Cuyahoga County Auditor (MIS Department)

# City of Euclid, Ohio

## Principal Property Taxpayers – Real Property

**December 31, 2003**

**Table 16**

<u>Property Owner</u>	<u>Assessed Value</u>	<u>Percent Of Total Assessed Value Of Real Property</u>	<u>Percent Of Total Assessed Value</u>
Cleveland Electric Illuminating Co.	\$ 10,850,700	1.44%	1.25%
Lincoln Electric Company	10,398,550	1.38	1.20
Ohio Bell Telephone Company	9,651,740	1.28	1.12
Indian Hills Senior Community, Inc.	8,263,500	1.10	0.95
Argo Tech Corporation	7,728,840	1.03	0.89
Aerc-Watergate, Inc.	7,286,580	0.97	0.84
Harbor Crest Ltd.	5,511,100	0.73	0.64
Troy CMBS Property, LLC.	4,657,980	0.62	0.54
Horizon House, LTD	3,642,630	0.48	0.42
Reliance Electric & Engine Co.	3,218,780	0.43	0.37
Euclid Realty, LLC	3,190,960	0.42	0.37
Depot Land Co.	3,163,030	0.42	0.37
AE Portfolio, LLC	3,155,540	0.42	0.37
The Euclid Clinic	3,040,690	0.40	0.35
Euclid Retirement Village	<u>2,492,110</u>	<u>0.33%</u>	<u>0.29%</u>
Total	\$ <u>86,252,730</u>	<u>11.47%</u>	<u>9.97%</u>
Total Assessed Value of Real Property	\$ <u>701,793,380</u>	<u>100.00%</u>	<u>86.88%</u>
Total Assessed Value	\$ <u>816,485,001</u>		<u>100.00%</u>

Source: Cuyahoga County Auditor (MIS Department)

# City of Euclid, Ohio

## Demographic Statistics

December 31, 2003

Table 17

### POPULATION

<u>Year</u>	<u>Population (1)</u>	<u>Increase (Decrease) (1)</u>	<u>Percent Increase (Decrease) (1)</u>	<u>County Population (2)</u>	<u>State Population (2)</u>
1940	17,866	5,115	40.1 %	1,217,250	6,907,612
1950	41,396	23,530	131.7	1,389,532	7,946,627
1960	62,998	21,602	52.2	1,647,895	9,706,397
1970	71,552	8,554	13.6	1,721,300	10,652,017
1980	59,999	(11,553)	(16.1)	1,498,400	10,797,630
1990	54,875	(5,124)	(8.5)	1,412,140	10,847,115
2000	52,717	(2,158)	(3.9)	1,393,978	11,353,140

### AGE DISTRIBUTION (1)

Median age (years) = 38.9

<u>Age</u>	<u>Total</u>	
	<u>Number</u>	<u>Percentage</u>
0-4	3,327	6.3%
5-9	3,353	6.4
10-14	3,295	6.3
15-19	2,804	5.3
20-24	2,598	4.9
25-34	7,640	14.5
35-44	8,525	16.2
45-54	6,703	12.7
55-59	2,337	4.4
60-64	2,023	3.8
65-74	4,397	8.3
75-84	4,197	8.0
85+	1,518	2.9
Total	<u>52,717</u>	<u>100.0%</u>

### SOURCES:

- (1) U.S. Census Bureau, Census 2000
- (2) City of Cleveland

# City of Euclid, Ohio

## Demographic Statistics (Continued)

December 31, 2003

Table 17

### DISTRIBUTION OF HOUSEHOLDS BY INCOME BRACKET – 2000

<u>Income</u>	<u>Number</u>	<u>Percent Of all Households</u>
\$ 0 to 9,999	2,636	10.8%
\$ 10,000 to 14,999	1,686	6.9%
\$ 15,000 to 24,999	4,137	17.0%
\$ 25,000 to 34,999	3,640	15.0%
\$ 35,000 to 49,999	4,547	18.7%
\$ 50,000 to 74,999	4,499	18.5%
\$ 75,000 to 99,999	2,071	8.5%
\$ 100,000 to 149,999	798	3.3%
\$ 150,000 to 199,999	186	0.8%
\$ 200,000 or more	<u>112</u>	<u>0.5%</u>
	<u>24,312</u>	<u>100.0%</u>
Median household income		\$ 35,151
Per capita income		\$ 19,664

### HOUSEHOLD TYPE (TOTAL HOUSEHOLDS – 24,353)

	<u>Number</u>
TOTAL HOUSEHOLDS	24,353
FAMILY HOUSEHOLDS (FAMILIES)	13,484
With own children under 18 years	6,071
Married Couple family	8,831
With own children under 18 years	3,586
Female Householder, no husband present	3,711
With own children under 18 years	2,089
Nonfamily Households	10,869
Householder living alone	9,677
Total Households with Persons 65+ years of age	7,515

# City of Euclid, Ohio

## Demographic Statistics (Continued)

**December 31, 2003**

**Table 17**

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
HOUSEHOLD SIZE				
Average Number of Persons Per unit (Total Units)	2.85	2.30	2.70	2.14
HOUSING UNITS:				
Units Occupied	24,768	25,504	24,894	24,353
Owner Occupied	14,211	14,868	14,608	14,478
Renter Occupied	10,577	10,636	10,286	9,875
Total Units	25,303	26,396	26,586	26,123
Average household size of owner-occupied units			2.34	
Average household size of renter-occupied units			1.84	

SOURCE: U.S. Census Bureau, Census 2000

# City of Euclid, Ohio

## Miscellaneous Statistical Data

**December 31, 2003**

**Table 18**

GOVERNMENT:	Charter	Mayor and Council
	Founded	1797
	Township	1809
	Village	1903
	City	1931
POPULATION	Census 2000	52,717
AREA:	10.83 square miles (6,592 acres)	
ALTITUDE	700 feet above sea level	
CLIMATE:	Mean annual temperature	51 degrees Fahrenheit
	Average rainfall	33.5 inches
CITY STATISTICS:	Streets	143.065 miles (1.181 unpaved)
	Interstate Route 90	3.06 miles
	South Spur	1.65 miles
	Sewers	262.38 miles
	Water Mains	139.65 miles
HIGHWAYS:	U.S. Routes	6 – 20
	State Routes	2 – 175 – 283
	Interstate	90 (Lakeland Freeway), direct link with I-271 and I-77
POLICE:	Stations	1
	Mini Station	2
	Men	91
	Equipment (pieces)	59
	School guards	13
	Auxiliary	35
	Dispatchers	17
	Administrative personnel	14
	Corrections officers	42
	Humane officer	4
FIRE:	Stations	4
	Men	89
	Equipment (pieces)	20
ASSESSED VALUATION:	\$865,435,613; \$104.60 per \$1,000 combined millage (effective tax rate commercial/industrial \$79.48 per \$1,000)	
NUMBER OF DWELLINGS:	Total units	26,123



# City of Euclid, Ohio

## Miscellaneous Statistical Data (Continued)

**December 31, 2003**

**Table 18**

BANKS:	Banks and Savings & Loans	9
	Branches	15
CHURCHES:	Total	25
	Denominations	13
BUILDINGS:	Permits issued in 2003	1,266
	Valuation	\$17,409,525
INDUSTRY:	Manufacturing plants	150
	Products	Machines, automobile parts, electrical, welding equipment and small machine shop specialties.
RAILROADS:	Con-Rail	2
	Norfolk & Southern	
BUS LINES:	Regional Transit Authority (Cuyahoga County)	
MEDICAL:	Euclid Hospital	339 beds (includes Extended Care Unit)
	University Mednet Euclid Clinic	
	Medical Clinics	3
	Industrial	2
	Immediate Care Centers	4
EDUCATION:	Public Elementary (K-4)	4
	Public Magnet (K-6)	1
	Public Magnet (5-6)	1
	Public Middle School (7-8)	1
	Public Senior High (9-12)	1
	Private and Parochial	6
	Enrollment -- Public	6,005
	Enrollment -- Private	2,414
	Teachers (Administrative Personnel included)	415
Colleges (in County)	13	
LIBRARIES:	Public libraries	1
	Volumes available	270,759
	Visual aids	43,235
NEWSPAPERS:	Daily	2
	Weekly	1

# City of Euclid, Ohio

## Miscellaneous Statistical Data (Continued)

**December 31, 2003**

**Table 18**

LODGING:	Motels	1
SHOPPING CENTERS:	Including enclosed mall	4
RECREATION FACILITIES:	Recreation centers	1 (football, soccer, etc.)
	Lighted sports areas	1
	Parks -	3
	Euclid Park	17.5 acres
	Memorial Park	52 acres
	Sims Park	33.5 acres
	Metropolitan	233 acres
	Playgrounds -	
	Supervised	1
	Unsupervised	18
	Tennis courts	31 (10 lighted)
	Basketball courts	9
	Soccer fields	7
	Sand volleyball courts	3
	Bocci courts	2
	Ball diamonds	19 (6 lighted)
	Enclosed ice arena	1
	Batting cage	1 (7 units)
	Swimming Pools -	
	Indoor deep water	3 (45' x 75')
	Outdoor deep water	1 (75' x 150')
	Neighborhood deep water	1 (30' x 80')
	Neighborhood shallow water	4 (35' x 80')
	Golf course -	
	City owned public course	18 holes – 126 acres
PUBLIC MEETINGS:	Euclid Council	First and third Monday each month (7:00 p.m.)
	Zoning Board	Third Tuesday each month
	Civil Service Commission	First and third Tuesday each month
	Recreation Commission	Fourth Tuesday each month
	Architectural Review	Fourth Thursday each month

## City of Euclid, Ohio

### Special Assessment Billings And Collections (Amounts In 000's)

**December 31, 2003**

**Table 19**

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collected (1)</u>
1994	146	141
1995	146	142
1996	515 (2)	182
1997	156	147
1998	197	191
1999	209	198
2000	325	405
2001	238	243
2002	238	184
2003	236	307

(1) Includes delinquents, penalties and interest.

(2) Includes a special assessment of \$329,034 for the demolition of a building.

Source: Cuyahoga County Auditor

# City of Euclid, Ohio

## Schedule Of Insurance

As Of December 31, 2003

Table 20

Type of Coverage	Policy Period		Coverage Limits		Annual Premium
	From	To			
<b>Building &amp; Contents</b>	10/1/2003	10/1/2004	\$ 81,167,847	Blanket Coverage	\$ 64,005
Buildings			\$ 25,000	Deductible	
Business Personal Property			\$ 54,580,531	Limit of Insurance included in premium above	
Business Income			\$ 11,672,006	Limit of Insurance included in premium above	
Extra Expense			\$ 1,220,000	Limit of Insurance included in premium above	
Ordinance or Law – Demolition			\$ 250,000	Limit of Insurance included in premium above	
Ordinance or Law – Increased Cost of Construction			\$ 500,000	Limit of Insurance included in premium above	
Property in Open			\$ 500,000	Limit of Insurance included in premium above	
Misc. Articles			\$ 14,915,310	Limit of Insurance included in premium above	
				All Risk ACV Coverage	
<b>Commercial Crime</b>					
Employee Theft	10/1/2003	10/1/2004	\$ 100,000	Per Occurrence	\$ 1,446
Forgery or Alteration			\$ 100,000	Per Occurrence	
			\$ 2,500	Deductible	
<b>Boiler &amp; Inland Marine</b>					
Building and Personal Property Coverage:	10/1/2003	10/1/2004	\$ 50,000,000	Blanket Comprehensive	\$ 10,354
Debris Removal			\$ 10,000	Deductible	
Fire Department Service Charge			\$ 25,000	Additional Limit	
Pollutant Clean Up and Removal			\$ 25,000	Limit of Insurance	
Manufacturers Consequential Loss Aggregate					
Included w/business personal property limit					
Theft Damage to Unowned Building Property					
Included w/business personal property limit					
Inventory and Appraisals			\$ 5,000	Limit of Insurance	
Recharge of Fire Protection Equipment					
resulting from a covered cause of loss			\$ 10,000	Limit of Insurance	
resulting from other than a covered cause of loss			\$ 10,000	Limit of Insurance	
Backup of Sewer or Drains			\$ 10,000	Limit of Insurance	

**City of Euclid, Ohio**

Schedule Of Insurance (Continued)

**As Of December 31, 2003** **Table 20**

Type of Coverage	Policy Period		Coverage Limits	Annual Premium
	From	To		
<b>Boiler &amp; Inland Marine (continued)</b>				
Business Income Coverage:				
Property in Transit			\$ 10,000 Limit of Insurance	
Backup of Sewer or Drains			\$ 10,000 Limit of Insurance	
Newly acquired or constructed property building			\$ 1,000,000 Limit of Insurance	
City Business Personal Property			\$ 500,000 Limit of Insurance	
Personal Effects			\$ 15,000 Limit of Insurance	
Property of Others			\$ 15,000 Limit of Insurance	
Restoration of Data – On Premises			\$ 15,000 Limit of Insurance	
Restoration of Data – Off Premises			\$ 15,000 Limit of Insurance	
Restoration of Valuable Papers – On Premises			\$ 25,000 Limit of Insurance	
Restoration of Valuable Papers – Off Premises			\$ 15,000 Limit of Insurance	
Property of Premises				
Property at unscheduled locations			\$ 15,000 Limit of Insurance	
Personal Property in Transit			\$ 15,000 Limit of Insurance	
Installation Coverage			\$ 15,000 Limit of Insurance	
Trees, Shrubs & Plants			\$ 25,000 Limit of Insurance	
Extra Expense			\$ 25,000 Limit of Insurance	
Reward Payments			\$ 5,000 Limit of Insurance	
Money & Securities-Inside/Outside Premises			\$ 5,000 Limit of Insurance	
Storage of Duplicate Data & Records			\$ 50,000 Limit of Insurance	
Accounts Receivable				
On Premises			\$ 25,000 Limit of Insurance	
Off Premises			\$ 15,000 Limit of Insurance	
Valuable Papers & Records			\$ 100,000 Blanket coverage at all locations	

**City of Euclid, Ohio**

Schedule Of Insurance (Continued)

**As Of December 31, 2003** **Table 20**

Type of Coverage	Policy Period		Coverage Limits	Annual Premium
	From	To		
<b>Boiler &amp; Inland Marine (continued)</b>				
Inland Marine Floater Schedule				
Mobile Equipment			\$ 10,000 Deductible	
			\$ 50,000 Limit of Insurance	
			\$ 10,000 Deductible	
Emergency Service Equipment			\$ 250,000 Limit of Insurance	
			\$ 10,000 Deductible	
Communications Equipment			\$ 1,468,347 Limit of Insurance	
			\$ 10,000 Deductible	
Electronic Data Processing Systems			\$ 982,150	
Hardware & Software			\$ 10,000 Deductible	
Extra Expense			\$ 10,000 or \$25,000	
<b>Accounts Receivable Insurance</b>	10/1/2003	10/1/2004	\$ 100,000 Blanket coverage at all locations	prem above
			\$ 10,000 Deductible	
<b>Acts of Terrorism</b>	10/1/2003	10/1/2004	10% of losses after the US Government payment up to 90% of .losses per	\$ 854
<b>Misc. Articles</b>				
Scheduled Floater Insurance	10/1/2003	10/1/2004	\$ 100,000 Blanket coverage	prem above
Contractor's Equipment in the open			10,000 Deductible	

**City of Euclid, Ohio**

Schedule Of Insurance (Continued)

**As Of December 31, 2003** **Table 20**

Type of Coverage	Policy Period		Coverage Limits	Annual Premium
	From	To		
<b>Misc. Articles (continued)</b>				
Radios & Communications Equipment	\$	50,000	Up to	prem above
	\$	1,000	Deductible	
Television Broadcasting Equipment on/off premises	\$	196,920	Blanket coverage	prem above
	\$	1,000	Deductible	
<b>Business Interruption</b>	10/1/2003	10/1/2004	1,220,000 Briardale Greens Golf Course	prem above
	\$	1,000	Deductible	
<b>Fine Arts</b>	10/1/2003	10/1/2004	100,000 Limits of Insurance	prem above
\$5,000 max. per item	\$	10,000	Deductible	
<b>Communications Towers</b>	10/1/2003	10/1/2004	100,000 Coverage	prem above
<b>Miscellaneous Property</b>	10/1/2003	10/1/2004	100,000 Coverage	prem above
	\$	1,000	Deductible	
<b>Golf Course Greens &amp; Tees</b>	10/1/2003	10/1/2004	50,000 Any One Occurrence	prem above
	\$	1,000	Deductible	
<b>C-Mac</b>	10/1/2003	10/1/2004	1,000,000 Combined Single Limit Liability	\$ 1,198
Premium is reimbursed by Cuyahoga County	\$	500	Deductible – Collision	
	\$	250	Deductible – Other than collision	
<b>Mayor's Bond</b>	12/1/2003	11/30/2007	25,000 Official Bond and Oath	\$ 325

# **City of Euclid, Ohio**

**Single Audit Reports**

**December 31, 2003**



# City of Euclid, Ohio

For The Year Ended December 31, 2003

## Table of Contents

---

Title	Page
Report on Compliance and On Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	1-2
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	3-4
Schedule of Expenditures of Federal Awards.....	5
Notes to the Schedule of Expenditures of Federal Awards.....	6
Schedule of Findings OMB Circular A-133 Section .505 .....	7
Schedule of Prior Audit Findings OMB Circular A-133 Section .315(b).....	8
Response to Findings Associated with Audit Conducted in Accordance with <i>Government Auditing Standards</i> for the Year Ended December 31, 2002.....	9



CPAs and Business Advisors

Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Members of the City Council of the  
City of Euclid, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Euclid, as of and for the year ended December 31, 2003, which collectively comprise the City of Euclid's basic financial statements and have issued our report thereon dated June 22, 2004 wherein we noted the City adopted Government Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Euclid's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2003-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Euclid's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Euclid in a separate letter dated June 22, 2004.



C&P Advisors, LLC

Ciuni & Panichi, Inc.

Joel Strom Associates LLC

National Investor Services, Ltd.

25201 Chagrin Boulevard  
Cleveland, Ohio 44122.5683

p. 216.831.7171

f. 216.831.3020

[www.cp-advisors.com](http://www.cp-advisors.com)



Members of the City Council  
City of Euclid, Ohio

This report is intended solely for the information and use of the City Council, Finance Committee, Management, Auditor of State's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ciini & Panichi, Inc.*

Cleveland, Ohio  
June 22, 2004

Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133

Members of the City Council of the  
City of Euclid, Ohio

Compliance

We have audited the compliance of the City of Euclid, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The City of Euclid's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Euclid's management. Our responsibility is to express an opinion on the City of Euclid's compliance based on our audit.

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

In our opinion, the City of Euclid complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Members of the City Council  
City of Euclid, Ohio

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Euclid, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 22, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Euclid's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, Finance Committee, Management, Auditor of State's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Paricchi, Inc.*

Cleveland, Ohio  
June 22, 2004

# City of Euclid, Ohio

## Schedule of Expenditures of Federal Awards

### For The Year Ended December 31, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
U.S. Department of Housing and Urban Development Community Development Block Grant Entitlement Grant Special Purpose Grant Program Total U.S. Department of Housing and Urban Development	14.218 14.227	N/A N/A	\$ 1,372,202 <u>36,084</u> 1,408,286	\$ 1,367,072 <u>-</u> 1,367,072
U.S. Department of Justice: Local Law Enforcement Block Grant Weed and Seed Asset Forfeiture Total U.S. Department of Justice	16.710 16.595 16.595	N/A N/A N/A	23,498 209,624 <u>1,500</u> 234,622	25,295 66,714 <u>20,384</u> 112,393
Federal Emergency Management Agency Wellness and Fitness Total Federal Emergency Management Agency	83.554	N/A	17,910 <u>17,910</u>	66,251 <u>66,251</u>
U.S. Department of Health and Human Services: Pass-Through Program From: State Department of Aging and the Western Reserve Area Agency on Aging: Special Programs for the Aging – Title III, Part C - Nutrition Services Total U.S. Department of Health and Human Services	93.045	N/A	26,914 <u>26,914</u>	58,889 <u>58,889</u>
Total Expenditures of Federal Awards			\$ <u>1,687,732</u>	\$ <u>1,604,605</u>

The accompanying notes are an integral part of this schedule

# City of Euclid, Ohio

Schedule of Findings  
OMB Circular A-133, Section .505

## **For The Year Ended December 31, 2003**

---

### **Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Euclid, Ohio and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

### **Note 2: Subrecipients**

Of the federal expenditures presented in the schedule, the City of Euclid provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant Entitlement Grants	14.218	\$ <u><u>39,602</u></u>

# City of Euclid, Ohio

Schedule of Findings  
OMB Circular A-133, Section .505

## For The Year Ended December 31, 2003

### 1. Summary of Auditor's Results

(d)(I)(I)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Community Development Block Grant CFDA No. 14.218
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A:>\$300,000 Type B:>All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

### 2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

2003-01 Issuance of Purchase Orders

Per ORC Section 5705.41(D), no orders or contracts involving the expenditure of money are to be made unless there is attached a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During our review of expenditures, Ciuni & Panichi, Inc. noted instances where purchase orders were issued after the City received the invoice.

### 3. Findings for Federal Awards

There were no findings or questioned costs for federal awards to report in 2003.





## City of Euclid, Ohio

Schedule of Prior Audit Findings  
OMB Circular A-133, Section .315(B)

**December 31, 2003**

---

<b>Finding No.</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Explanation</b>
2002-01	Fixed Asset Recordkeeping	Yes	The City purchased a governmental fixed asset management system in 2002 and received an independent appraisal of fixed assets in 2003. The appraisal information has been entered into the City's fixed asset system and a fixed asset detail report was provided.
2002-02	Fixed Asset Detail Report	Yes	The City purchased a governmental fixed asset management system in 2002 and received an independent appraisal of fixed assets in 2003. The appraisal information has been entered into the City's fixed asset system and a fixed asset detail report was provided.
2002-03	Issuance of Purchase Orders	No	The City was in non-compliance again in 2003.



## City of Euclid

585 East 222nd Street  
Euclid, Ohio 44123  
(216) 289-2700

Response to Findings Associated with Audit Conducted  
in Accordance With *Government Auditing Standards*  
for the Year Ended December 31, 2003

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2003-01	The City will monitor expenditures to ensure that they have been properly encumbered.	December 31, 2004	Jack Johnson, Finance Director

Honorable Mayor and  
Members of Council  
City of Euclid, Ohio

In accordance with *Government Auditing Standards* applicable to financial audits, we have audited the financial statements of the City of Euclid as of and for the year ended December 31, 2003, and have issued our report thereon dated June 22, 2004.

*Government Auditing Standards* also require that we describe the scope of our testing of compliance with laws and regulations and the internal controls and report any irregularities, illegal acts, other material noncompliance and reportable conditions in the internal controls. We have issued reports dated June 22, 2004, on the City's compliance and the internal control structure required by *Government Auditing Standards* as of and for the year ended December 31, 2003.

*Office of Management and Budget Circular A-133* requires that we report all material (and certain immaterial) instances of noncompliance, and reportable conditions in internal control, related to major federal financial assistance programs. We have issued the required report dated June 22, 2004, for the year ended December 31, 2003.

In addition to the matters we communicated to you in the reports described above, we are submitting for your consideration the following comments on the City's compliance with applicable laws and regulations and on its internal control structure. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or reportable internal control conditions, we believe represent matters for which improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your government. If you have any questions or concerns regarding these comments please do not hesitate to contact us.

#### Internal Control Issues

##### Employee Manual

City does not hand out employee procedures manuals to employees upon being hired. The City has an employee manual, but employees are not required to review and sign off that they agree with these policies. In addition, Council has not approved the manual.

We recommend that the City updates, where necessary, and distributes employee manuals to all employees hired by the City. The City should also require all employees to sign an agreement which confirms the employee has read, agrees with, and understands the policies set forth in the employee manual. The City Council should also read and approve the manual.

Honorable Mayor  
and Members of Council

### Employee Reimbursements

1. The City does not maintain an account code for employee reimbursements in the accounting system, including, travel and entertainment expenses, cell phones, credit cards and miscellaneous expenses. Per our review of the listings printed for us from the City regarding employee reimbursements, we noted that these types of expenses are booked too many different accounts.

We recommend that the City create an account within each fund specifically for employee reimbursement expenses. All expenses related to reimbursing an employee for any expenditure should be recorded to this line item.

2. The City has a policy in place regarding expense reimbursements however; we noted that the policy has not been formally approved by Council. During our audit we noted that the City has an interdepartmental requisition and a travel request form that each employee is required to complete. The form states that public funds may not be used to pay for alcohol or discretionary tips. However, the policy and forms do not address the accumulation of frequent flyer miles.

We recommend that City Council formally approve the employee reimbursement policy, which should include a policy regarding the accumulation of frequent flyer miles.

### Cell Phone Policy

1. The City maintains a cell phone list which specifies those authorized users; however there is no formal policy established by City Council, regarding the use of City purchased cell phones.

We recommend that the City create and establish immediately, a policy regarding the use of cell phones, the authorized users, guidelines for allowable uses, method of reimbursement (if personal use is allowed), specific unallowable uses, reporting and monitoring of use by appropriate levels of management, and any other guidelines the City believes is necessary.

2. We also noted during our audit that control procedures have been put in place to monitor cell phone usage; however those controls are not being followed consistently. When the cell phone bill is received by the Finance Department, the "department summary for connectivity" is filled out which lists the phone number, subscriber, general ledger account and amount to track users and usage. However, during our testing we noted that the summary was incorrectly filled out. We noted that the summary did not reconcile to the cell phone bill. The summary was outdated and listed employees who were no longer authorized as cell phone carriers.

We recommend that the Finance Department correctly utilize the summary to reconcile the phone bill to the authorized users list in order to identify unauthorized use of cell phones.

### Cash Collection Points

During our audit, we noted that the City has no formal procedures in place at the various cash collection areas within the City. The City should have adequate procedures in place over the various cash collections points. In accordance with ORC Section 9.38 these procedures should include, but are not limited to, safeguarding cash received; providing receipts (where applicable) to the payee; and proper segregation of duties for the receipting, depositing, recording and reporting of cash.

Honorable Mayor  
and Members of Council

We recommend that the City should implement and document procedures that safeguard the cash received (i.e. with a safe or cash box), provide receipts (where applicable) to the payee, and proper segregation of duties for receipting, depositing, recording and reporting of cash.

These comments are intended solely for the information and use of management, members of the Board of Trustees, and the Auditor of State, and are not intended to be and should not be used by anyone other than these specified parties.

Cleveland, Ohio  
June 22, 2004







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CITY OF EUCLID**

**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  
AUGUST 10, 2004**