

CITY OF EUCLID

OHIO



Briardale Greens Golf Course Clubhouse



2004

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

Members of City 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, 2004 through December 31, 2004. 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 20, 2005

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City Of Euclid, Ohio

Comprehensive Annual Financial Report

December 31, 2004

Issued by the Finance Department
Jack Johnson,
Director of Finance

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City of Euclid, Ohio

Comprehensive Annual Financial Report For The Year Ended December 31, 2004

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City of Euclid, Ohio

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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: 216/289-2765

Fax: 216/289-2764

June 24, 2005

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, 2004, 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 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, 2003, 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 1995 through 2004.

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 A1 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.

During 2004 and into the first quarter of 2005, the economy in northeast Ohio and, especially, in the City of Euclid, finally evidenced signs of an ending recession.

During 2004 the following Economic Development Projects came to the forefront:

- Trust Manufacturing – Purchased a vacant industrial building and is in the process of investing over \$100,000 in real property improvements and over \$1.2 million in personal property investment. Trust will create 26 new jobs with a respective payroll of \$1,070,004.
- Lincoln Electric – Continued its investment in the recently opened Corporate Customer Service Center. The project had created 74 new jobs with a payroll of over \$2.8 million by the end of 2004. This project re-emphasized Lincoln's commitment to the City of Euclid.
- Royal Appliance – Entered into a lease for the former Super-Kmart site on St. Clair Avenue. Royal brought 100 new employees to the City with a payroll of \$3.4 million dollars. Total investment in the project exceeded \$4.4 million.
- Calabrese Enterprises – Purchased the Incinerator site on Lakeland Boulevard from the City bringing 30 new jobs to Euclid and a payroll of over \$1.5 million. Calabrese will also be investing over \$1.8 million in personal and real property.

- Hamilton Mold and Machine – Created 4 new jobs and retained 40 additional jobs while modernizing and expanding its facility. The new and retained payroll exceeds \$2.7 million.
- Argo-Tech Corporation – The corporation is undertaking an expansion investment project that will create 10 new jobs and solidify 408 existing jobs. The payroll for the new jobs will exceed \$600,000 while the retained payroll will be approximately \$26.2 million. Argo-Tech is also investing in over \$21 million in new personal property.

Two very important projects broke ground during 2004. 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 actual construction to begin during the fall 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.

During the fall of 2004, a new single-family housing development project broke ground on the lakefront as well. 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.

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

- Marine Mechanical – Elected to relocate and stay in Euclid when they purchased the old Reliance Electric / Rockwell R&D facility. The economic development team, led by Mayor Cervenik, worked with a coalition of State, County, and Port Authority representatives to package an economic incentive program that sealed the deal. Marine Mechanical will be investing in \$16.7 million in new personal property. Real property improvement will exceed \$7.5 million. 245 jobs with a corresponding payroll of \$13,665,000 will be retained. Marine Mechanical intends to create 38 new jobs with an equivalent payroll of \$1.9 million.
- Ruff RV – Purchased the long vacant and blighted RacquetTime property on Lakeland Boulevard. Ruff, a dealer in high-end recreational vehicles, created 10 new jobs and invested over \$1.2 million in new personal and real property improvements.

In addition, construction of the Briardale Greens Golf Course clubhouse continued and was on target to be completed at or below budget of \$1,442,000. The new clubhouse is projected to be opened in late July or early August of 2005. The newer clubhouse will have a larger pro shop, a grill room with seating and an outside pavilion for outings.

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, 2004. 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, 2004. 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 2004 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, 2003. This was the twenty-second (22nd) 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

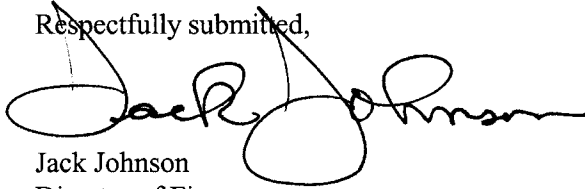
highest standards of professionalism in the management of the City of Euclid's finances.

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 that reads "Jack Johnson". The signature is written in a cursive style with a large, prominent initial "J".

Jack Johnson
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Euclid,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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.



Nancy L. Ziehl

President

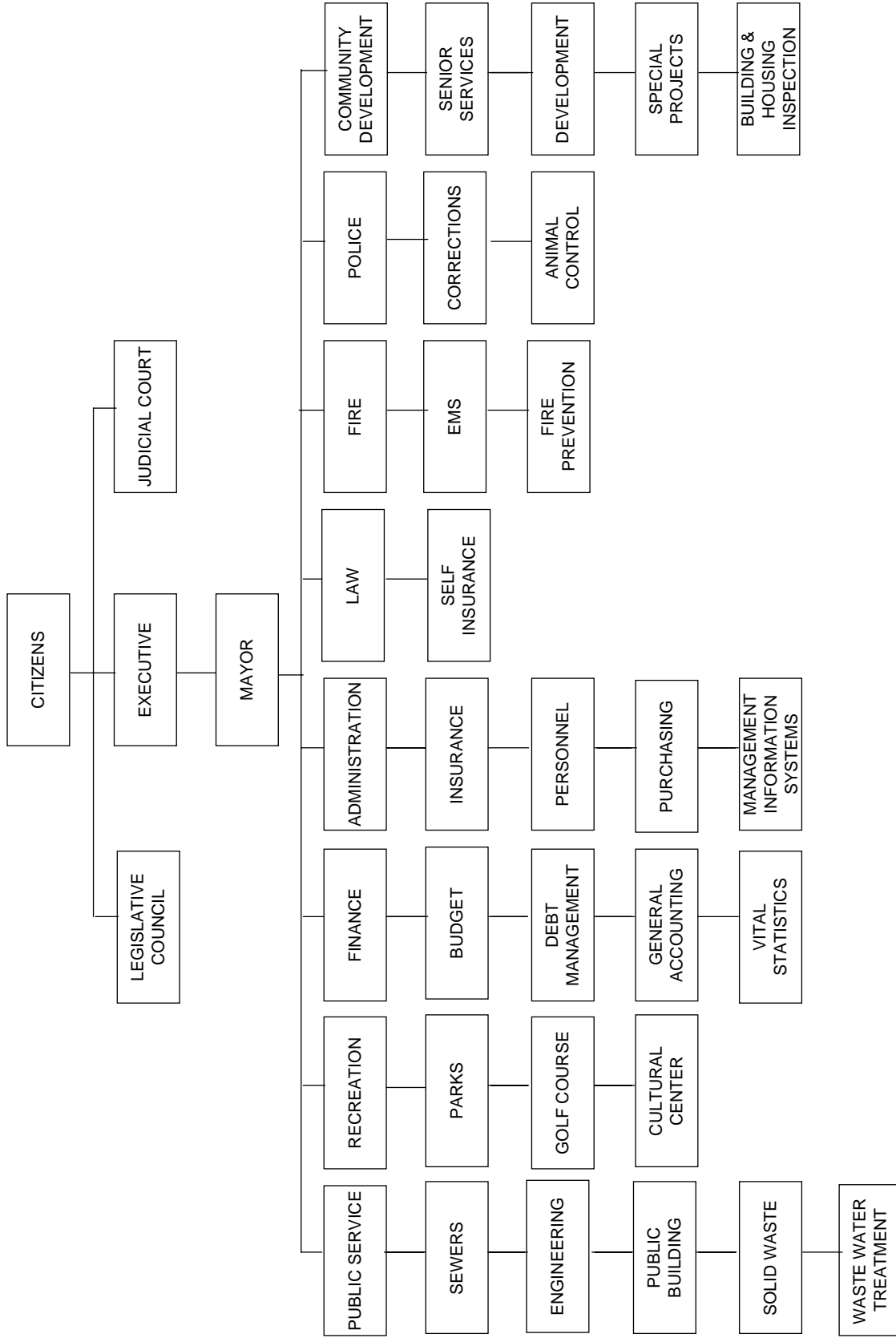
Jeffrey R. Emen

Executive Director

CITY OF EUCLID

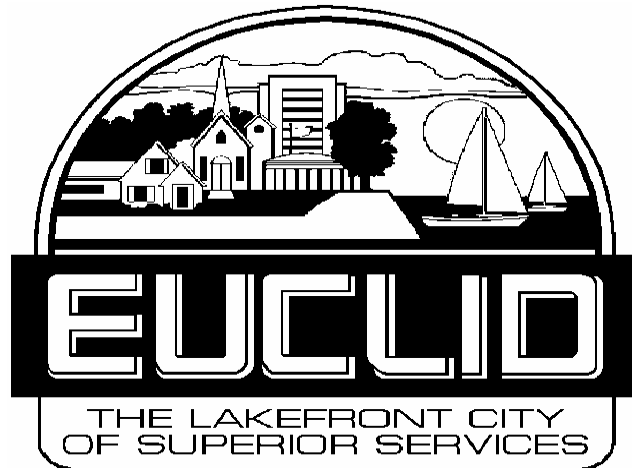
Organizational Chart

December 31, 2004



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*

FRANK PIETRAVOIA - *Community
Development*

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*

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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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Euclid, Ohio as of and for the year ended December 31, 2004, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Euclid, as of December 31, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2005 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 required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming 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. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cinni & Parichi, Inc.

Cleveland, Ohio
June 22, 2005

City of Euclid
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(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, 2004. 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 2004 are as follows:

- The City's net assets decreased as a result of this year's operations. Net assets of our business-type activities decreased by \$59,600 or .17%, net assets of our governmental activities also decreased by \$1,172,555 or 4.21%.
- General revenues and transfers accounted for \$33,883,888 in revenue or 81% of all governmental activities revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$8,319,010 or 19% of total revenues of \$41,916,442.
- The City had \$11,084,042 in expenses related to business-type activities; a total of \$10,516,652 was offset by program specific charges for services, grants and contributions. General revenues include property taxes and interest earnings of \$794,246. Total expenses exceeded revenues \$59,600, resulting in a decrease to net assets from \$35,432,836 to \$35,373,236.
- The City's major governmental funds were the General Fund, the Debt Service Fund and the Capital Bond and Note Construction Fund. The General Fund had \$38,219,197 in revenues and other financing sources and \$34,901,092 in expenditures and other financing uses. The General Fund's fund balance increased \$3,318,105 from \$4,198,051 to \$7,516,156. The other significant change occurred in the Capital Bond and Note Construction Fund. This fund had \$8,296,486 in revenues and other financing sources and \$2,296,499 in expenditures and other financing uses. The fund balance increased \$5,999,987 from \$(312,293) to \$5,687,694.

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

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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 12 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 9 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.

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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.

The City as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net assets for 2004 as compared to 2003.

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Table 1
Summary statement of net assets
As of December 31, 2004 and 2003

	<u>Governmental</u> <u>Activities 2004</u>	<u>Business Type</u> <u>Activities 2004</u>	<u>Governmental</u> <u>Activities 2003</u>	<u>Business Type</u> <u>Activities 2003</u>
Assets				
Current and other assets	\$ 37,819,391	\$ 11,733,455	\$ 32,616,462	\$ 10,785,430
Capital assets, net	<u>51,222,732</u>	<u>49,534,499</u>	<u>50,649,951</u>	<u>51,048,889</u>
<i>Total assets</i>	<u>89,042,123</u>	<u>61,267,954</u>	<u>83,266,413</u>	<u>61,834,319</u>
Liabilities				
Current and other liabilities	11,890,673	2,504,405	18,601,440	3,825,404
Long-term liabilities:				
Due within one year	9,337,433	2,955,596	3,090,843	1,669,153
Due in more than one year	<u>41,138,693</u>	<u>20,434,717</u>	<u>33,726,251</u>	<u>20,906,926</u>
<i>Total liabilities</i>	<u>62,366,799</u>	<u>25,894,718</u>	<u>55,418,534</u>	<u>26,401,483</u>
Net assets				
Invested in capital assets, net of related debt	9,941,514	29,795,176	16,919,428	28,646,313
Restricted:				
Capital projects	3,896,532	-	177,260	-
Debt service	8,899,900	1,200,000	2,764,898	-
Other purposes	1,597,871	-	1,253,520	-
Unrestricted	<u>2,339,507</u>	<u>4,378,060</u>	<u>6,732,773</u>	<u>6,786,523</u>
<i>Total net assets</i>	<u>\$ 26,675,324</u>	<u>\$ 35,373,236</u>	<u>\$ 27,847,879</u>	<u>\$ 35,432,836</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 \$62,048,560 at the close of the most recent fiscal year.

An additional portion of the City of Euclid's net assets, 25 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets, \$7,917,567, may be used to meet the City's ongoing obligations to citizens and creditors.

By far the largest portion of the City's net assets 66% 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.

Table 2 shows the changes in net assets for 2004 as compared with 2003.

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Table 2
Change in net assets
For fiscal year ended December 31, 2004 and 2003

	<u>Governmental</u> <u>Activities 2004</u>	<u>Business type</u> <u>Activities 2004</u>	<u>Governmental</u> <u>Activities 2003</u>	<u>Business type</u> <u>Activities 2003</u>
Revenues				
Program revenues:				
Charges for services	\$ 6,819,398	\$ 10,516,652	\$ 7,263,058	\$ 13,164,145
Operating grants and contributions	179,059	-	502,101	-
Capital grants and contributions	<u>1,320,553</u>	<u>-</u>	<u>1,525,639</u>	<u>250,488</u>
<i>Total program revenues</i>	8,319,010	10,516,652	9,290,798	13,414,633
General revenues:				
Property taxes	9,724,482	609,316	9,514,574	776,352
Municipal income tax	20,213,175	-	18,311,962	-
Grants and entitlements	3,208,030	183,912	3,540,576	-
Investment income	398,378	1,018	257,951	987
Other	53,367	-	-	-
Loss on sale of capital assets	<u>-</u>	<u>-</u>	<u>(48,192)</u>	<u>-</u>
<i>Total revenues</i>	<u>41,916,442</u>	<u>11,310,898</u>	<u>40,867,669</u>	<u>14,191,972</u>
Program expenses				
General government	11,965,470	-	12,180,369	-
Public safety	21,147,901	-	19,842,460	-
Streets and highways	1,489,045	-	1,432,019	-
Refuse collection and disposal	1,912,089	-	1,848,221	-
Public health and welfare	234,887	-	287,591	-
Culture and recreation	4,077,885	-	1,914,797	-
Community development	478,828	-	965,181	-
Interest and fiscal charges	2,069,348	-	1,913,236	-
Waste water	-	10,313,927	12,131,189	12,131,189
Golf course	<u>-</u>	<u>770,115</u>	<u>716,146</u>	<u>716,146</u>
<i>Total expenses</i>	<u>43,375,453</u>	<u>11,084,042</u>	<u>40,383,874</u>	<u>12,847,335</u>
<i>Change in net assets before transfers</i>	(1,459,011)	226,856	483,795	1,344,637
Transfers	<u>286,456</u>	<u>(286,456)</u>	<u>286,456</u>	<u>(286,456)</u>
<i>Increase (decrease) in net assets</i>	\$ <u>(1,172,555)</u>	\$ <u>(59,600)</u>	\$ <u>770,251</u>	\$ <u>1,058,181</u>

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 \$20,213,175 in income tax collections or 48% of total 2004 revenue. The second most significant source of revenue is property tax revenue of \$9,724,482 or 23% of total 2004 revenue.

A summary of governmental activity expenses and the net cost of providing these services (excluding general revenues) is presented below in Table 3.

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Table 3
Governmental activities

	<u>Total cost of</u> <u>services 2004</u>	<u>Net cost of</u> <u>services 2004</u>	<u>Total cost of</u> <u>services 2003</u>	<u>Net cost of</u> <u>services 2003</u>
General government	\$ (11,965,470)	\$ (9,863,571)	\$ (12,180,369)	\$ (10,105,687)
Public safety	(21,147,901)	(18,906,288)	(19,842,460)	(17,073,603)
Streets and highways	(1,489,045)	(1,029,246)	(1,432,019)	(987,867)
Refuse collection and disposal	(1,912,089)	(969,346)	(1,848,221)	(764,835)
Public health and welfare	(234,887)	(149,221)	(287,591)	(201,861)
Culture and recreation	(4,077,885)	(3,322,552)	(1,914,797)	(1,164,214)
Community development	(478,828)	1,253,129	(965,181)	1,118,227
Interest and fiscal charges	<u>(2,069,348)</u>	<u>(2,069,348)</u>	<u>(1,913,236)</u>	<u>(1,913,236)</u>
<i>Total expenses</i>	\$ <u><u>(43,375,453)</u></u>	\$ <u><u>(35,056,443)</u></u>	\$ <u><u>(40,383,874)</u></u>	\$ <u><u>(31,093,076)</u></u>

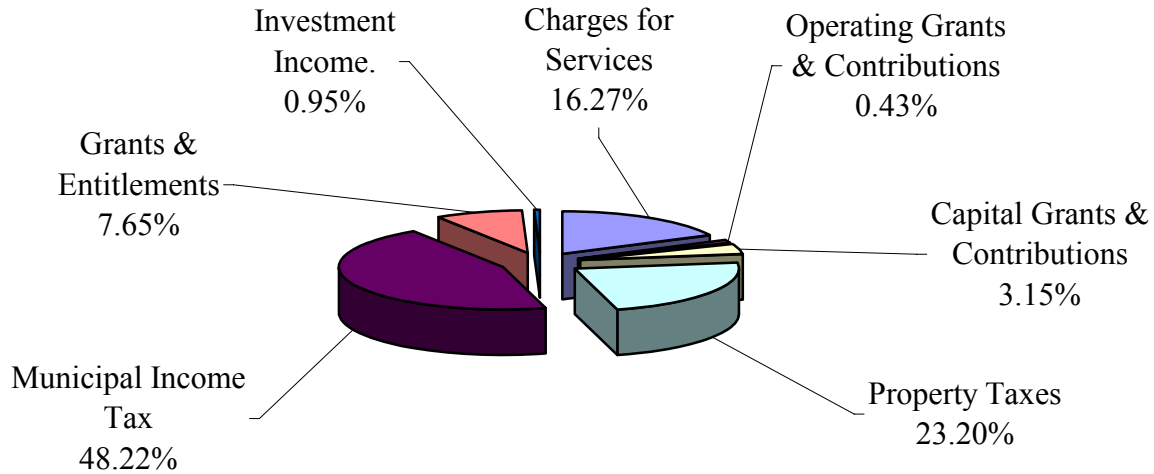
The negative amounts indicated in this table should not be construed as something bad; they are merely indicative of whether a particular function of government relies on general revenues for financing or is a net contributor of resources to the general government. In future years, this information will 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 \$21,147,901 or 49% of total 2004 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, 2004, the City employed 96 full time police officers and 77 full time firefighters. Other significant expenses include public service expenses which totaled \$11,965,470 or 28% of the total 2004 expenses.

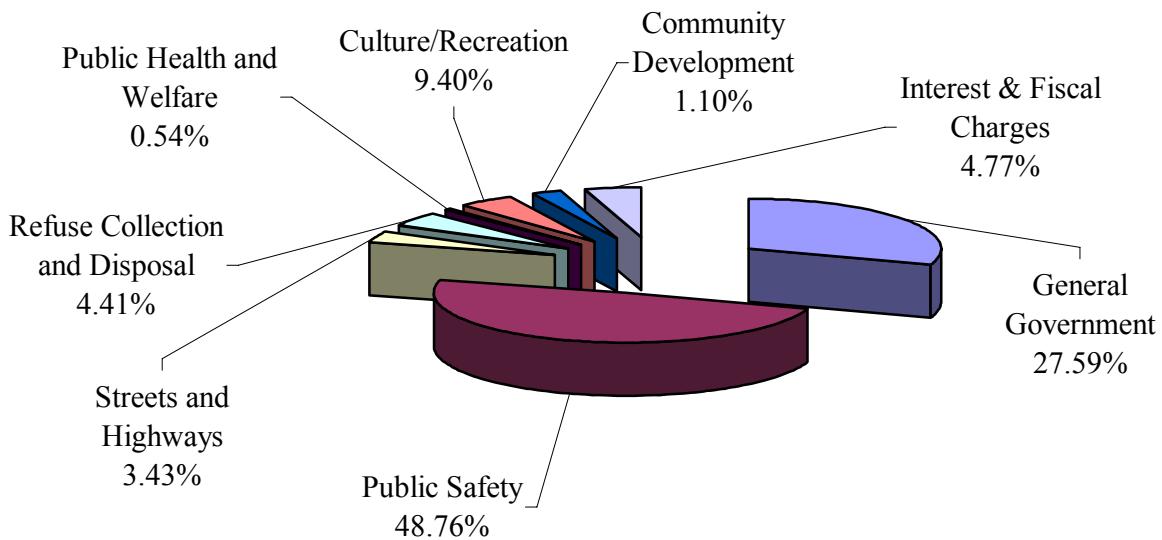
The following charts present a summary of revenues and expenditures for governmental activities for the year ended December 31, 2004.

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Revenues by Source - Governmental Activities



Expenditures by Function - Governmental Activities



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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 (11th) 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 2004 amounted to \$9,730,420. This represents a 21.43% decrease from 2003 operating revenue of \$12,383,945. Operating expenses for the waste water treatment plant were \$9,435,934 a decrease of 13% compared to 2003.

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. The new clubhouse was started in 2004 with completion and the opening expected to be in August of the 2005 season.

The golf course 2004 operating revenue amounted to \$798,975. This represents a .86% decrease from 2003 operating revenue of \$792,158. Operating expenses for the golf course were \$769,207, an increase of 7.65% compared to 2003.

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 \$20,003,259, an increase of \$11,964,052, in comparison with the prior year. A large portion of this increase is due to the issuance of general obligation bonds in 2004 in order to pay off outstanding notes in 2005. \$5,981,000 of those bond proceeds will be used to pay the governmental funds notes payable. The unreserved amount of \$10,425,738 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.

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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 \$3,678,477 while the total fund balance was \$7,516,156. 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 10.70% of total general fund expenditures, while total fund balance represents approximately 21.87% of that same amount.

Analysis of General Fund Revenues

General fund revenues and other sources total \$38,219,197 in 2004, an increase of approximately 26.11% from 2003. 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:

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Table 4
 Tax Rates (Per \$1,000 of assessed Valuation)

<u>Purpose</u>	<u>2004</u>	<u>2003</u>	<u>2002</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>\$ 816,485,001</u>	<u>\$ 826,000,544</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 in 2004 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 it 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 Sate of Ohio and Cuyahoga County (as a conduit between the State and the City) have decreased since 2000.

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Analysis of General Fund Expenditures

General fund expenditures and other uses totaled \$34,901,092 in 2004, a decrease of 9.67% from 2003. 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:

Table 5

Expenditures and Other Uses

	Actual 2004	% of Total	Actual 2003	% of Total	Increase (Decrease) Over 2003	% Change
Current:						
General Government	\$ 11,630,152	33.32	\$ 9,783,349	28.03	\$ 1,846,803	18.88
Public Safety	19,254,200	55.17	18,341,798	52.55	\$ 912,402	4.97
Refuse Collection and Disposal	1,811,025	5.19	1,733,196	4.97	77,829	4.49
Public Health and Welfare	234,419	0.67	199,086	0.57	35,333	17.75
Culture and Recreation	731,426	2.10	784,664	2.25	(53,238)	-6.78
Community Development	463,494	1.33	501,357	1.44	(37,863)	-7.55
Debt Service	246,138	0.71	215,612	0.62	30,526	14.16
Transfers Out	530,238	1.52	264,590	0.76	265,648	100.40
<i>Total Expenditures and Other Financing Uses</i>	<u>\$ 34,901,092</u>		<u>\$ 31,823,652</u>		<u>\$ 3,077,440</u>	9.67

This reduction in general fund expenditures was accomplished through staffing reductions. This was necessary in the early part of 2004 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 \$4,111,326 and \$266,734, respectively, at December 31, 2004. The change in net assets for each of the funds totaled \$(88,460) and \$28,860, respectively, during 2004. 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.

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General Fund Budgetary Highlights

The difference between the original and the final amended appropriations including operating transfers out, (see page 24), was \$60,000, which represents less than a .18 percent increase in appropriations.

For the general fund, original budgeted revenues were \$34,432,456; final budget amounts were \$34,458,210; and actual revenue collections were \$36,153,864. The majority of the increase in actual revenue over the original and final budgeted amounts was due to the increase in debt proceeds. In December 2004 the City issued bonds to pay off the notes payable outstanding. The City's ending unencumbered cash balance in the general fund was \$2,375,469 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, 2004, amounts to \$100,757,231 (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, 2004 is reflected in Table 6:

Table 6

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 9,110,307	\$ 9,098,667	\$ 7,387,526	\$ 7,387,526	\$ 16,497,833	\$ 16,486,193
Land Improvements	422,167	465,462	286,449	341,008	708,616	806,470
Buildings and Improvements	8,211,722	5,238,635	5,146,658	5,318,294	13,358,380	10,556,929
Machinery and Equipment	3,056,739	3,589,090	536,894	485,810	3,593,633	4,074,900
Infrastructure	30,421,797	31,140,070	35,835,525	37,265,764	66,257,322	68,405,834
Construction in Progress	-	1,118,027	341,447	249,304	341,447	1,367,331
Totals	\$ 51,222,732	\$ 50,649,951	\$ 49,534,499	\$ 51,047,706	\$ 100,757,231	\$ 101,697,657

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

- Investment of \$1,442,000 for the construction of a new clubhouse at Briardale Greens golf course.
- Investment of \$1,200,000 in the Beverly Hills and East 260th Street projects which were also funded by State Issue 2.
- Investment of \$3,700,000 in the Lakefront Community Center which also serves as the City's new senior center.

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, 2004
(Unaudited)

Debt: The City's outstanding General Obligation debt is currently rated "A1" by Moody's Investors Service. This rating was confirmed in 2004 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, 2004, the City's long-term debt totaled \$73,776,439.

A summary of outstanding long-term debt at December 31, 2004 follows.

Table 7

Outstanding Debt
 General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General Obligation Bonds	\$ 34,057,000	\$ 27,440,000	\$ 2,918,000	\$ 1,765,000	\$ 36,975,000	\$ 29,205,000
Development Revenue Bonds	1,615,000	1,695,000	-	-	1,615,000	1,695,000
Special Assessment Bonds	1,440,000	1,500,000	-	-	1,440,000	1,500,000
OPWC Loans	2,393,316	2,534,696	4,080,511	4,288,338	6,473,827	6,823,034
OWDA Loans	-	-	14,765,852	16,042,064	14,765,852	16,042,064
Notes Payable	5,891,000	-	1,200,000	-	7,091,000	-
Capital Lease Obligations	1,775,902	560,826	425,950	480,677	2,201,852	1,041,503
Accrued Compensated Absences	3,213,908	3,086,572	-	-	3,213,908	3,086,572
<i>Totals</i>	<u>\$ 50,386,126</u>	<u>\$ 36,817,094</u>	<u>\$ 23,390,313</u>	<u>\$ 22,576,079</u>	<u>\$ 73,776,439</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, 2004 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, 2004
(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, 2004 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)	\$40,030,000	4.63%	\$759.34

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.

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 222nd Street, Euclid, Ohio 44123, 216-289-2850, or e-mail at jjohnson@ci.euclid.oh.us.

City of Euclid, Ohio

Statement of Net Assets

December 31, 2004

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		EDCOR
Assets:				
Cash and cash equivalents	\$ 10,810,634	\$ 6,698,393	\$ 17,509,027	\$ -
Restricted cash	5,981,000	1,200,000	7,181,000	-
Cash and cash equivalents with fiscal agent	-	-	-	415,870
Taxes receivable	12,953,725	677,439	13,631,164	-
Accounts receivable, net of allowance for doubtful accounts	900,815	3,096,940	3,997,755	-
Interest receivable	162,471	21	162,492	-
Intergovernmental receivable	2,920,450	29,002	2,949,452	-
Special assessments receivable	2,150,140	-	2,150,140	-
Notes receivable	1,714,224	-	1,714,224	1,741,571
Materials and supplies inventory	225,932	31,660	257,592	-
Non - depreciable capital assets	9,110,307	7,728,973	16,839,280	-
Depreciable capital assets, net	<u>42,112,425</u>	<u>41,805,526</u>	<u>83,917,951</u>	<u>-</u>
Total assets	<u>89,042,123</u>	<u>61,267,954</u>	<u>150,310,077</u>	<u>2,157,441</u>
Liabilities:				
Accounts payable	393,212	248,358	641,570	-
Claims payable	2,075,000	-	2,075,000	-
Accrued wages and benefits	1,174,716	343,106	1,517,822	1,741
Due to other governments	2,397,581	721,961	3,119,542	-
Accrued interest payable	226,775	484,538	711,313	-
Deferred revenue	5,623,389	706,442	6,329,831	-
Long-term liabilities:				
Due within one year	9,337,433	2,955,596	12,293,029	-
Due in more than one year	<u>41,138,693</u>	<u>20,434,717</u>	<u>61,573,410</u>	<u>-</u>
Total liabilities	<u>62,366,799</u>	<u>25,894,718</u>	<u>88,261,517</u>	<u>1,741</u>
Net assets:				
Invested in capital assets, net of related debt	9,941,514	29,795,176	39,736,690	-
Restricted for:				
Capital projects	3,896,532	-	3,896,532	-
Debt service	8,899,900	1,200,000	10,189,900	-
Special revenues	1,597,871	-	1,597,871	-
Unrestricted	<u>2,339,507</u>	<u>4,378,060</u>	<u>6,717,567</u>	<u>2,155,700</u>
Total net assets	<u>\$ 26,675,324</u>	<u>\$ 35,373,236</u>	<u>\$ 62,048,560</u>	<u>\$ 2,155,700</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, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 11,965,470	\$ 2,101,899	\$ -	\$ -
Public safety	21,147,901	2,150,294	91,319	-
Streets and highways	1,489,045	459,799	-	-
Refuse collection and disposal	1,912,089	942,743	-	-
Public health and welfare	234,887	85,666	-	-
Culture/recreation	4,077,885	755,333	-	-
Community development	478,828	323,664	87,740	1,320,553
Interest	<u>2,069,348</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>43,375,453</u>	<u>6,819,398</u>	<u>179,059</u>	<u>1,320,553</u>
Business type activities:				
Waste water	10,313,927	9,730,420	-	-
Golf	<u>770,115</u>	<u>786,232</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>11,084,042</u>	<u>10,516,652</u>	<u>-</u>	<u>-</u>
Total primary government	\$ <u>54,459,495</u>	\$ <u>17,336,050</u>	\$ <u>179,059</u>	\$ <u>1,320,553</u>
Component unit:				
EDCOR	\$ <u>46,794</u>	\$ <u>83,578</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
- Other
- Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, restated

Net assets at end of year

The Accompanying Notes are an Integral Part of These Financial Statements

<u>Primary Government</u>			<u>Component Unit</u>
<u>Governmental</u>	<u>Business</u>	<u>Total</u>	<u>EDCOR</u>
<u>Activities</u>	<u>Type</u>		
	<u>Activities</u>		
\$ (9,863,571)	\$ -	\$ (9,863,571)	\$ -
(18,906,288)	-	(18,906,288)	-
(1,029,246)	-	(1,029,246)	-
(969,346)	-	(969,346)	-
(149,221)	-	(149,221)	-
(3,322,552)	-	(3,322,552)	-
1,253,129	-	1,253,129	-
(2,069,348)	-	(2,069,348)	-
<u>(35,056,443)</u>	<u>-</u>	<u>(35,056,443)</u>	<u>-</u>
-	(583,507)	(583,507)	-
<u>-</u>	<u>16,117</u>	<u>16,117</u>	<u>-</u>
-	(567,390)	(567,390)	-
<u>(35,056,443)</u>	<u>(567,390)</u>	<u>(35,623,833)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>36,784</u>
3,676,438	-	3,676,438	-
3,318,558	-	3,318,558	-
2,729,486	609,316	3,338,802	-
20,213,175	-	20,213,175	-
3,208,030	183,912	3,391,942	-
398,378	1,018	399,396	4,319
53,367	-	53,367	-
<u>286,456</u>	<u>(286,456)</u>	<u>-</u>	<u>-</u>
<u>33,883,888</u>	<u>507,790</u>	<u>34,391,678</u>	<u>4,319</u>
(1,172,555)	(59,600)	(1,232,155)	41,103
<u>27,847,879</u>	<u>35,432,836</u>	<u>63,280,715</u>	<u>2,114,597</u>
\$ <u>26,675,324</u>	\$ <u>35,373,236</u>	\$ <u>62,048,560</u>	\$ <u>2,155,700</u>

City of Euclid, Ohio

Balance Sheet Governmental Funds

December 31, 2004

	General	Debt Service	Capital Bond and Note Construction	Nonmajor Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 2,110,538	\$ 3,044,944	\$ 3,021,218	\$ 2,404,176	\$ 10,580,876
Restricted Cash	2,000,000	-	2,783,000	1,198,000	5,981,000
Taxes receivable	8,716,796	3,220,769	-	1,016,160	12,953,725
Accounts receivable, net of allowance for doubtful accounts	547,129	6,999	-	346,687	900,815
Interest receivable	118,957	43,480	8	19	162,464
Intergovernmental receivable	1,786,299	186,152	-	947,999	2,920,450
Special assessments receivable	-	2,010,381	-	139,759	2,150,140
Notes receivable	1,714,224	-	-	-	1,714,224
Materials and supplies inventory	79,260	-	-	146,672	225,932
Total assets	<u>\$ 17,073,203</u>	<u>\$ 8,512,725</u>	<u>\$ 5,804,226</u>	<u>\$ 6,199,472</u>	<u>\$ 37,589,626</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 113,086	\$ 80,296	\$ 70,784	\$ 129,046	\$ 393,212
Accrued wages and benefits	1,064,243	1,003	-	107,457	1,172,703
Due to other governments	1,995,184	5,224	-	390,474	2,390,882
Deferred revenue	6,358,233	5,417,302	-	1,762,293	13,537,828
Accrued interest payable	26,301	-	45,748	19,693	91,742
Total liabilities	<u>9,557,047</u>	<u>5,503,825</u>	<u>116,532</u>	<u>2,408,963</u>	<u>17,586,367</u>
Fund balances:					
Reserve for encumbrances	44,195	-	1,217,243	394,927	1,656,365
Reserve for inventory	79,260	-	-	146,672	225,932
Reserved for notes receivable	1,714,224	-	-	-	1,714,224
Reserved for debt service	2,000,000	-	2,783,000	1,198,000	5,981,000
Unreserved; Undesignated, reported in:					
General fund	3,678,477	-	-	-	3,678,477
Special revenue funds	-	-	-	1,180,356	1,180,356
Debt service fund	-	3,008,900	-	-	3,008,900
Capital projects funds	-	-	1,687,451	870,554	2,558,005
Total fund balance	<u>7,516,156</u>	<u>3,008,900</u>	<u>5,687,694</u>	<u>3,790,509</u>	<u>20,003,259</u>
Total liabilities and fund balances	<u>\$ 17,073,203</u>	<u>\$ 8,512,725</u>	<u>\$ 5,804,226</u>	<u>\$ 6,199,472</u>	<u>\$ 37,589,626</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, 2004

Total Governmental Funds Balances \$ 20,003,259

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. 51,222,732

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

Property and Other Taxes	\$ 991,695
Municipal Income Taxes	2,907,799
Special Assessments	2,150,140
Intergovernmental	<u>1,864,805</u>

Total 7,914,439

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 the Governmental Activities in the Statement of Net
Assets (1,867,873)

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

Interest Payable	(135,033)
General Obligation Bonds	(35,672,000)
Special Assessment Bonds	(1,440,000)
Notes Payable	(5,981,000)
Loans Payable	(2,393,316)
Capital Lease Payable	(1,775,901)
Compensated Absences	<u>(3,199,983)</u>

Total (50,597,233)

Net Assets of Governmental Activities \$ 26,675,324

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, 2004

	<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	\$ 23,767,496	\$ 3,318,558	\$ -	\$ 2,729,486	\$ 29,815,540
Intergovernmental	3,173,934	-	-	1,551,905	4,725,839
Charges for services	2,713,693	208,298	-	1,787,575	4,709,566
License/permit and inspection fees	572,019	-	-	-	572,019
Fines and forfeitures	1,378,744	-	-	109,384	1,488,128
Special assessments	-	200,451	56,370	13,648	270,469
Investment income	233,483	107,363	2,040	54,249	397,135
Rents and royalties	215,847	-	-	84,231	300,078
Other	30,628	6,999	50,500	98,114	186,241
Total revenues	<u>32,085,844</u>	<u>3,841,669</u>	<u>108,910</u>	<u>6,428,592</u>	<u>42,465,015</u>
Expenditures:					
Current:					
General government	11,630,152	-	182,760	251,541	12,064,453
Public safety	19,254,200	-	-	1,350,901	20,605,101
Streets and highways	-	-	-	1,589,464	1,589,464
Refuse collection and disposal	1,811,025	-	-	101,064	1,912,089
Public health and welfare	234,419	-	-	946	235,365
Culture/recreation	731,426	-	2,026,184	1,101,076	3,858,686
Community development	463,494	-	86,004	1,490,106	2,039,604
Debt service:					
Principal retirement	80,000	6,345,000	-	436,073	6,861,073
Interest and fiscal charges	166,138	1,665,667	1,551	252,925	2,086,281
Total expenditures	<u>34,370,854</u>	<u>8,010,667</u>	<u>2,296,499</u>	<u>6,574,096</u>	<u>51,252,116</u>
Excess of revenues over (under) expenditures	<u>(2,285,010)</u>	<u>(4,168,998)</u>	<u>(2,187,589)</u>	<u>(145,504)</u>	<u>(8,787,101)</u>
Other financing sources (uses):					
Proceeds from sale of debt	4,063,000	4,413,000	8,170,000	2,432,000	19,078,000
Proceeds from sale of capital assets	-	-	-	2,800	2,800
Transfers - in	486,456	-	17,576	185,083	689,115
Transfers - out	(530,238)	-	-	(72,421)	(602,659)
Inception of capital leases	1,583,897	-	-	-	1,583,897
Total other financing sources (uses)	<u>5,603,115</u>	<u>4,413,000</u>	<u>8,187,576</u>	<u>2,547,462</u>	<u>20,751,153</u>
Net change in fund balances	3,318,105	244,002	5,999,987	2,401,958	11,964,052
Fund balances (deficit) at beginning of year	<u>4,198,051</u>	<u>2,764,898</u>	<u>(312,293)</u>	<u>1,388,551</u>	<u>8,039,207</u>
Fund balances at end of year	\$ <u>7,516,156</u>	\$ <u>3,008,900</u>	\$ <u>5,687,694</u>	\$ <u>3,790,509</u>	\$ <u>20,003,259</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, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 11,964,052

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	\$	2,807,130	
Depreciation		<u>(2,165,335)</u>	
Total			641,795

In the Statement of Activities, only the loss on the disposal of land and 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 Land. (69,014)

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		18,961	
Municipal Income Taxes		103,156	
Special Assessments		(653,784)	
Intergovernmental		<u>(18,197)</u>	
Total			(549,864)

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. (1,583,897)

Repayment of Bond Principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. 7,125,490

Debt proceeds, reported as an other financing source, provide current financial resources to governmental funds, but has no effect on net assets. (19,078,000)

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		(108,698)	
Accrued Interest on Debt		<u>17,215</u>	
Total			(91,483)

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 468,366

Change in Net Assets of Governmental Activities \$ (1,172,555)

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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 25,660,344	\$ 25,679,067	\$ 23,433,240	\$ (2,245,827)
Intergovernmental	3,522,184	3,525,007	3,177,722	(347,285)
Charges for services	2,768,523	2,770,742	2,497,767	(272,975)
License/permit and inspection fees	370,687	370,985	334,435	(36,550)
Fines and forfeitures	1,597,394	1,598,674	1,441,172	(157,502)
Investment income	222,232	222,410	157,448	(64,962)
Rents and royalties	257,144	257,350	231,996	(25,354)
Other	33,948	33,975	30,628	(3,347)
Total revenues	<u>34,432,456</u>	<u>34,458,210</u>	<u>31,304,408</u>	<u>(3,153,802)</u>
Expenditures:				
Current:				
General government	10,415,668	10,393,429	10,336,540	56,889
Public safety	20,291,731	20,333,887	19,750,631	583,256
Refuse collection and disposal	1,835,057	1,835,057	1,810,642	24,415
Public health and welfare	211,953	239,537	239,756	(219)
Culture/recreation	734,261	751,665	741,815	9,850
Community development	487,150	482,245	484,664	(2,419)
Debt service:				
Principal retirement	80,000	80,000	80,000	-
Interest and fiscal charges	<u>139,838</u>	<u>139,838</u>	<u>139,838</u>	<u>-</u>
Total expenditures	<u>34,195,658</u>	<u>34,255,658</u>	<u>33,583,886</u>	<u>671,772</u>
Excess of revenues over (under) expenditures	<u>236,798</u>	<u>202,552</u>	<u>(2,279,478)</u>	<u>(2,482,030)</u>
Other financing sources (uses):				
Debt proceeds	-	-	4,063,000	4,063,000
Transfers - in	-	-	786,456	786,456
Transfers - out	<u>(516,252)</u>	<u>(516,252)</u>	<u>(508,209)</u>	<u>8,043</u>
Total other financing sources (uses)	<u>(516,252)</u>	<u>(516,252)</u>	<u>4,341,247</u>	<u>4,857,499</u>
Net change in fund balance	(279,454)	(313,700)	2,061,769	2,375,469
Fund balance, beginning of year	<u>1,984,871</u>	<u>1,984,871</u>	<u>1,984,871</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,705,417</u>	\$ <u>1,671,171</u>	\$ <u>4,046,640</u>	\$ <u>2,375,469</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, 2004

	Waste Water	Golf Course	Total Business-Type Activities	Governmental Activities Internal Service
Assets:				
Current assets:				
Cash and cash equivalents	\$ 6,304,975	\$ 393,418	\$ 6,698,393	\$ 229,758
Restricted cash	1,200,000	-	1,200,000	-
Taxes receivable	677,439	-	677,439	-
Accounts receivable	3,096,940	-	3,096,940	-
Interest receivable	21	-	21	7
Intergovernmental receivable	29,002	-	29,002	-
Materials and supplies inventory	21,496	10,164	31,660	-
Total current assets	<u>11,329,873</u>	<u>403,582</u>	<u>11,733,455</u>	<u>229,765</u>
Noncurrent assets:				
Non-depreciable assets	116,600	7,612,373	7,728,973	-
Depreciable assets, net	<u>41,399,138</u>	<u>406,388</u>	<u>41,805,526</u>	<u>-</u>
Total noncurrent assets	<u>41,515,738</u>	<u>8,018,761</u>	<u>49,534,499</u>	<u>-</u>
Total assets	<u>52,845,611</u>	<u>8,422,343</u>	<u>61,267,954</u>	<u>229,765</u>
Liabilities:				
Current liabilities:				
Accounts payable	248,358	-	248,358	-
Claims payable	-	-	-	2,075,000
Accrued wages and benefits	278,886	64,220	343,106	14,716
Due to other governments	649,506	72,455	721,961	6,699
Accrued interest payable	484,365	173	484,538	-
Deferred revenue	706,442	-	706,442	-
Current portion of long-term liabilities	<u>2,948,546</u>	<u>7,050</u>	<u>2,955,596</u>	<u>1,223</u>
Total current liabilities	<u>5,316,103</u>	<u>143,898</u>	<u>5,460,001</u>	<u>2,097,638</u>
Long-term liabilities (net of current portion):				
Capital lease payable	361,051	7,407	368,458	-
Loans payable	17,238,259	-	17,238,259	-
General obligation bonds payable	<u>2,828,000</u>	<u>-</u>	<u>2,828,000</u>	<u>-</u>
Total long-term liabilities	<u>20,427,310</u>	<u>7,407</u>	<u>20,434,717</u>	<u>-</u>
Total liabilities	<u>25,743,413</u>	<u>151,305</u>	<u>25,894,718</u>	<u>2,097,638</u>
Net assets:				
Invested in capital assets, net of related debt	21,790,872	8,004,304	29,795,176	-
Restricted	1,200,000	-	1,200,000	-
Unrestricted (deficit)	<u>4,111,326</u>	<u>266,734</u>	<u>4,378,060</u>	<u>(1,867,873)</u>
Total net assets	<u>\$ 27,102,198</u>	<u>\$ 8,271,038</u>	<u>\$ 35,373,236</u>	<u>\$ (1,867,873)</u>

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, 2004

	Waste Water	Golf Course	Total Business-Type Activities	Governmental Activities Internal Service
Operating revenues:				
Charges for services	\$ 9,730,420	\$ 786,232	\$ 10,516,652	\$ 48
Other	<u>-</u>	<u>12,743</u>	<u>12,743</u>	<u>501,811</u>
Total operating revenues	<u>9,730,420</u>	<u>798,975</u>	<u>10,529,395</u>	<u>501,859</u>
Operating expenses:				
Personal services	3,903,199	536,320	4,439,519	178,589
Materials and supplies	830,549	76,976	907,525	1,107
Refuse collection and disposal	1,800,572	65,452	1,866,024	55,040
Utilities	768,843	28,390	797,233	-
Depreciation	2,132,271	62,069	2,194,340	-
Claims	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Total operating expenses	<u>9,435,934</u>	<u>769,207</u>	<u>10,205,141</u>	<u>234,736</u>
Operating income	<u>294,486</u>	<u>29,768</u>	<u>324,254</u>	<u>267,123</u>
Non-operating income (expenses):				
Contributed capital	-	-	-	-
Sewer levy	596,573	-	596,573	-
Intergovernmental	183,912	-	183,912	-
Interest income	1,018	-	1,018	1,243
Interest expense	<u>(877,993)</u>	<u>(908)</u>	<u>(878,901)</u>	<u>-</u>
Total non-operating income (expense)	<u>(96,490)</u>	<u>(908)</u>	<u>(97,398)</u>	<u>1,243</u>
Income before transfers	197,996	28,860	226,856	268,366
Transfers - in	-	-	-	400,000
Transfers - out	<u>(286,456)</u>	<u>-</u>	<u>(286,456)</u>	<u>(200,000)</u>
Change in net assets	<u>(88,460)</u>	<u>28,860</u>	<u>(59,600)</u>	<u>468,366</u>
Net assets (deficit) at beginning of year	<u>27,190,658</u>	<u>8,242,178</u>	<u>35,432,836</u>	<u>(2,336,239)</u>
Net assets (deficit) at end of year	\$ <u><u>27,102,198</u></u>	\$ <u><u>8,271,038</u></u>	\$ <u><u>35,373,236</u></u>	\$ <u><u>(1,867,873)</u></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, 2004

	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	\$ 10,051,692	\$ 786,232	\$ 10,837,924	\$ -
Cash payments for goods and services	(3,389,710)	(171,776)	(3,561,486)	(56,147)
Cash payments to employees for services	(4,017,044)	(512,706)	(4,529,750)	(182,541)
Cash payments for employee benefits	-	-	-	-
Cash payments for claims	(500)	-	(500)	(303,689)
Cash received from other operating revenues	<u>-</u>	<u>12,743</u>	<u>12,743</u>	<u>48</u>
Net cash provided by (used for) operating activities	<u>2,644,438</u>	<u>114,493</u>	<u>2,758,931</u>	<u>(542,329)</u>
Cash flows from noncapital financing activities				
Intergovernmental revenue received	212,688	-	212,688	-
Property taxes received	695,317	-	695,317	-
Transfers - in	-	-	-	400,000
Transfers - out	<u>(286,456)</u>	<u>-</u>	<u>(286,456)</u>	<u>(200,000)</u>
Net cash provided by noncapital financing	<u>621,549</u>	<u>-</u>	<u>621,549</u>	<u>200,000</u>
Cash flows from capital and related financing activities				
Acquisition and construction of assets	(573,060)	(106,890)	(679,950)	-
Proceeds from general obligation notes	1,200,000	-	1,200,000	-
Proceeds from general obligation bonds	1,243,000	-	1,243,000	-
Principal paid on capital leases	(48,013)	(6,711)	(54,724)	-
Principal paid on construction loans	(2,774,043)	-	(2,774,043)	-
Interest paid	<u>(1,015,530)</u>	<u>(988)</u>	<u>(1,016,518)</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(1,967,646)</u>	<u>(114,589)</u>	<u>(2,082,235)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	<u>996</u>	<u>-</u>	<u>996</u>	<u>1,271</u>
Net increase (decrease) in cash and cash equivalents	1,299,337	(96)	1,299,241	(341,058)
Cash and cash equivalents, beginning of year	<u>6,205,638</u>	<u>393,514</u>	<u>6,599,152</u>	<u>570,816</u>
Cash and cash equivalents, end of year	\$ <u>7,504,975</u>	\$ <u>393,418</u>	\$ <u>7,898,393</u>	\$ <u>229,758</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, 2004

	<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 to net cash provided by (used for) operating activities:				
Operating income	\$ 294,486	\$ 29,768	\$ 324,254	\$ 267,123
Adjustments:				
Depreciation	2,132,271	62,069	2,194,340	-
Changes in assets/liabilities:				
(Increase)decrease in accounts receivable	311,540	-	311,540	-
(Increase)decrease in inventory	18,693	(3,118)	15,575	-
(Increase)decrease in intergovernmental receivable	-	-	-	-
Increase (decrease) in accounts payable	1,293	2,160	3,453	-
Increase (decrease) in accrued wages and benefits	(58,519)	(8,853)	(67,372)	(3,069)
Increase (decrease) in accrued comp. Absences	(36,304)	34,921	(1,383)	(423)
Increase (decrease) in due to other governments	(19,022)	(2,454)	(21,476)	(460)
Increase (decrease) in claims payable	-	-	-	(805,500)
Total adjustments:	<u>2,349,952</u>	<u>84,725</u>	<u>2,434,677</u>	<u>(809,452)</u>
Net cash provided by (used for) operating activities:	<u>\$ 2,644,438</u>	<u>\$ 114,493</u>	<u>\$ 2,758,931</u>	<u>\$ (542,329)</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, 2004

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ <u>303,507</u>
Total Assets	\$ <u><u>303,507</u></u>
Liabilities:	
Accounts payable	\$ 14,280
Due to other funds	86,655
Deposits Held	<u>202,572</u>
Total Liabilities	\$ <u><u>303,507</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

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, 2004

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 (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and to its enterprise funds. 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, 2004

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, 2004

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 to insure the City, its properties, and its officers and employees against liability, expense, loss and damage which arise, or is claimed to have arisen, from the performance or nonperformance of official duties.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 2: Summary of Significant Accounting Policies (continued)

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.

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, 2004, but which were levied to finance year 2005 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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

Expenses/Expenditures

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

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, 2004

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 2004. The amounts in the final reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

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, 2004

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, 2004.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

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.

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, 2004, 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, 2004, 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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets (continued)

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.

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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 2: Summary of Significant Accounting Policies (continued)

K. Compensated Absences (continued)

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.

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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 2: Summary of Significant Accounting Policies (continued)

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.

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 2004.

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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

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).

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>3,318,105</u>
<u>Increase (Decrease) Due to:</u>	
Revenue Accruals	(2,065,333)
Expenditure Accruals	872,894
Net Impact of Encumbrances on Budget Basis Expenditures	<u>(63,897)</u>
Budget Basis	\$ <u><u>2,061,769</u></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 fair market value. 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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 4: Deposits and Investments (continued)

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.

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 105% 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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 4: Deposits and Investments (continued)

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 \$9,699,673 and the bank balance was \$10,072,858. Of the bank balance:

1. \$418,368 was covered by the federal depository insurance, by collateral held by the City or by its agent in the name of the City.
2. \$9,654,490 was collateralized with securities held by the pledging financial institution or their trust departments or agents but not in the City's name.

At year end, the carrying amount of the Component Unit (EDCOR's) deposits was \$415,870 and the bank balance was \$456,965. Of the bank balance, \$178,898 was covered by the federal depository insurance, by collateral held by EDCOR or by its agent in the name of EDCOR and \$278,067 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	\$ 9,222,641	\$ 9,171,233	\$ 9,171,233
State Treasurer's Investment Pool (Star Ohio)*	-	5,175,000	5,175,000
Repurchase Agreements	<u>947,628</u>	<u>947,628</u>	<u>947,628</u>
Total Investments	\$ <u>10,170,269</u>	\$ <u>15,293,861</u>	\$ <u>15,293,861</u>

*Non-categorized

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 4: Deposits and Investments (continued)

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, 2004.

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</u> <u>Cash Equivalents</u>	<u>Investments</u>
Investments:		
GASB Statement No. 9	\$ 24,993,534	\$ -
U.S. Government Securities	(9,171,233)	9,171,233
STAROhio	(5,175,000)	5,175,000
Repurchase Agreements	<u>(947,628)</u>	<u>947,628</u>
GASB Statement No. 3	\$ <u>9,699,673</u>	\$ <u>15,293,861</u>

Note 5: Receivables

Receivables at December 31, 2004 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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 5: Receivables (continued)

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, 2004 was \$15.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based, are as follows:

Real Property	\$ 751,895,150
Tangible Personal Property	88,592,903
Public Utility Personal Property	<u>24,947,560</u>
Total Valuation	\$ <u>865,435,613</u>

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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 5: Receivables (continued)

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.

E. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local government funds	\$ 1,554,773
LGRAF	134,078
State highway	259,412
Gasoline tax	277,083
Auto reg	168,354
Homestead and rollback	356,107
Permissive motor vehicle license tax	144,276
Juvenile assistance block grant	12,673
FEMA grant	<u>42,696</u>
	\$ <u>2,949,452</u>

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 6: Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Balances</u> 12-31-03	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u> 12-31-04
Governmental activities				
Nondepreciable assets				
Land	\$ 9,098,667	\$ 11,640	\$ -	\$ 9,110,307
Construction in progress	<u>1,118,027</u>	<u>-</u>	<u>(1,118,027)</u>	<u>-</u>
Total nondepreciable assets	<u>10,216,694</u>	<u>11,640</u>	<u>(1,118,027)</u>	<u>9,110,307</u>
Depreciable assets:				
Land improvements	2,223,079	53,649	-	2,276,728
Buildings and Improvement	10,215,874	3,265,075	-	13,480,949
Furniture, fixtures and equipment	8,890,073	397,408	(231,393)	9,056,088
Infrastructure:				
Streets	<u>36,194,943</u>	<u>197,385</u>	<u>-</u>	<u>36,392,328</u>
Total depreciable assets	<u>57,523,969</u>	<u>3,913,517</u>	<u>(231,393)</u>	<u>61,206,093</u>
Less accumulated depreciation:				
Land improvements	(1,757,617)	(96,944)	-	(1,854,561)
Buildings and improvements	(4,977,239)	(291,988)	-	(5,269,227)
Furniture, fixtures and equipment	(5,300,983)	(860,745)	162,378	(5,999,350)
Infrastructure:				
Streets	<u>(5,054,872)</u>	<u>(915,658)</u>	<u>-</u>	<u>(5,970,530)</u>
Total accumulated depreciation	<u>(17,090,711)</u>	<u>(2,165,335)</u>	<u>162,378</u>	<u>(19,093,668)</u>
Total depreciable assets, net	<u>40,433,256</u>	<u>1,748,182</u>	<u>(69,015)</u>	<u>42,112,425</u>
Governmental activities capital assets, net	\$ <u>50,649,950</u>	\$ <u>1,759,822</u>	\$ <u>(1,187,042)</u>	\$ <u>51,222,732</u>

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 6: Capital Assets (continued)

	Balances 12-31-03	Additions	Disposals	Balances 12-31-04
Business-Type Activities				
Nondepreciable assets:				
Land	\$ 7,387,526	\$ -	\$ -	\$ 7,387,526
Construction in progress	<u>250,488</u>	<u>90,959</u>	<u>-</u>	<u>341,447</u>
Total nondepreciable assets	<u>7,638,014</u>	<u>90,959</u>	<u>-</u>	<u>7,728,973</u>
Depreciable assets:				
Land improvements	1,365,122	2,871	-	1,367,993
Buildings and improvements	8,601,240	-	-	8,601,240
Furniture, fixtures and equipment	1,740,112	182,664	-	1,922,776
Infrastructure:				
Streets	34,571	-	-	34,571
Sewers	<u>72,942,508</u>	<u>403,456</u>	<u>-</u>	<u>73,345,964</u>
Total depreciable assets	<u>84,683,553</u>	<u>588,991</u>	<u>-</u>	<u>85,272,544</u>
Less accumulated depreciation:				
Land improvements	(1,024,115)	(57,429)	-	(1,081,544)
Buildings and improvements	(3,282,946)	(171,636)	-	(3,454,582)
Furniture, fixtures and equipment	(1,254,302)	(131,581)	-	(1,385,883)
Infrastructure:				
Streets	(864)	-	-	(864)
Sewers	<u>(35,710,451)</u>	<u>(1,833,694)</u>	<u>-</u>	<u>(37,544,145)</u>
Total accumulated depreciation	<u>(41,272,678)</u>	<u>(2,194,340)</u>	<u>-</u>	<u>(43,467,018)</u>
Total depreciable assets, net	<u>43,410,875</u>	<u>(1,605,349)</u>	<u>-</u>	<u>41,805,526</u>
Business-type assets, net of accumulated depreciation	\$ <u>51,048,889</u>	\$ <u>(1,514,390)</u>	\$ <u>-</u>	\$ <u>49,534,499</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 285,275
Public safety	500,400
Culture and recreation	153,324
Community Development	170,761
Streets and highways	<u>1,055,575</u>
Total	<u>\$ 2,165,335</u>

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

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>
General Obligation Bonds			
Various Purpose	2004	2.50% - 5.00%	\$ 14,340,000
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
Enterprise Fund –			
Waterline	1998	3.80% - 5.125%	2,145,000
Development Revenue Bonds			
Lincoln Electric Dev. Rev.	1996	8.25%	2,135,000
Special Assessment Bond			
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, 2004 is as follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2004</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds:					
4.80% to 6.625% Various Purpose Bonds, Series 1991 Due Through 2011	\$ 2,340,000	\$ -	\$ (405,000)	\$ 1,935,000	\$ 420,000
3.70% to 5.55% Various Purpose Bonds, Series 1995 Due Through 2009	4,050,000	-	(590,000)	3,460,000	620,000

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 7: Long-Term Debt (continued)

A. Bonded Debt (continued)

	Balance January 1, <u>2004 Restated</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, 2004	Amounts Due Within <u>One Year</u>
3.70% to 5.50% Various Purpose Bonds, Series 1995 Due Through 2015	5,125,000	-	(4,630,000)	495,000	495,000
3.80% to 4.90% Various Purpose Bonds, Series 1998 Due Through 2018	4,870,000	-	(280,000)	4,590,000	295,000
3.80% to 5.125% Waterline Improvement Bonds, Series 1998 Due Through 2018	845,000	-	(40,000)	805,000	40,000
3.25% to 5.50% Peterson Improvement Bonds, Series 2001 Due Through 202	3,880,000	-	(155,000)	3,725,000	165,000
3.25% to 5.50% Various Purpose Bonds Series 2001 Due Through 2020	6,330,000	-	(380,000)	5,950,000	395,000
2.50% to 5.00% Various Purpose Series 2004 Due Through 2025	-	<u>13,097,000</u>	-	<u>13,097,000</u>	-
Total General Obligation Bonds	<u>\$ 27,440,000</u>	<u>\$ 13,097,000</u>	<u>\$ (6,480,000)</u>	<u>\$ 34,057,000</u>	<u>\$ 2,430,000</u>
Development Revenue Bonds:					
8.25% Development Revenue Bond Due Through 2016	<u>\$ 1,695,000</u>	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$ 1,615,000</u>	<u>\$ 85,000</u>
Special Assessment Bonds:					
4.35% to 5.60% Heritage Drive Improvement Bonds, Series 1999 Due Through 2019	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ 1,440,000</u>	<u>\$ 65,000</u>
Other Obligations:					
OPWC Loans:					
0% Ohio Public Works Commission, Waterline/Pavement Replacement Project Loan Due Through 2020	\$ 2,534,696	\$ -	\$ (141,380)	\$ 2,393,316	\$ 141,380
Capital Lease Obligations	560,826	1,583,897	(368,822)	1,775,901	355,332
Notes Payable	-	5,981,000	-	5,981,000	5,981,000
Accrued Compensated Absences	<u>3,086,572</u>	<u>184,414</u>	<u>(57,077)</u>	<u>3,213,909</u>	<u>279,721</u>
Total Other Obligations	<u>\$ 6,182,094</u>	<u>\$ 7,749,311</u>	<u>\$ (567,279)</u>	<u>\$ 13,364,126</u>	<u>\$ 6,757,433</u>
Total governmental activities long-term liabilities	<u>\$ 36,817,094</u>	<u>\$ 20,846,311</u>	<u>\$ (7,187,279)</u>	<u>\$ 50,476,126</u>	<u>\$ 9,337,433</u>

On December 8, 2004 the City issued general obligation bonds in the amount of \$13,097,000 at an average coupon rate of 4.26 percent over a 20-year period. These bonds were issued to refinance \$4,155,000 outstanding 1995 various purpose bonds. The City reduced its aggregate debt service payments with a cash flow total savings of \$282,731 over the next 10 years. The City obtained an economic gain, the difference between the present values of the old and the new debt service payments, of \$257,981. In addition the new bonds were issued to pay off \$7,181,000 outstanding notes payable in 2005.

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, 2004, the amount of defeased debt outstanding amounted to \$1,885,000.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

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, 2004, the amount of defeased debt outstanding amounted to \$3,915,000.

Detail of the changes in Capital Leases of the Enterprise Funds for the year ended December 31, 2004 is as follows:

	Balance January 1, 2004	Additions	Retirements	Balance December 31, 2004	Amounts Due Within One Year
Capital Lease Obligations	\$ <u>480,677</u>	\$ <u>-</u>	\$ <u>(54,724)</u>	\$ <u>425,954</u>	\$ <u>57,494</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, 2004 is as follows:

	Balance January 1, 2004	Additions	Retirements	Balance December 31, 2004	Amounts Due Within One Year
General Obligation Bonds:					
2.50% to 5.00% Various Purpose Bonds, Series 2004 Due Through 2025	\$ -	\$ 1,243,000	\$ -	\$ 1,243,000	\$ -
3.80% to 5.125% Waterline Improvement Bonds, Series 1998 Due Through 2018	<u>1,765,000</u>	<u>-</u>	<u>(90,000)</u>	<u>1,675,000</u>	<u>90,000</u>
Total General Obligation Bonds	\$ <u>1,765,000</u>	\$ <u>1,243,000</u>	\$ <u>(90,000)</u>	\$ <u>2,918,000</u>	\$ <u>90,000</u>
OWDA Loans:					
5.2% Ohio Water Development Authority Waste Water Facility Project Loan Due Through 2013	\$ 8,663,742	\$ -	\$ (638,591)	\$ 8,025,151	\$ 672,230
4.56% Ohio Water Development Authority Waste Water Facility Project Loan Due Through 2014	2,114,693	-	(151,835)	1,962,858	158,838
11.19% Ohio Water Development Authority Waste Water Facility Project Loan Due Through 2011	<u>5,263,629</u>	<u>-</u>	<u>(485,792)</u>	<u>4,777,837</u>	<u>540,152</u>
Total OWDA Loan Payable	\$ <u>16,042,064</u>	\$ <u>-</u>	\$ <u>(1,276,218)</u>	\$ <u>14,765,846</u>	\$ <u>1,371,220</u>
Notes Payable	\$ <u>-</u>	\$ <u>1,200,000</u>	\$ <u>-</u>	\$ <u>1,200,000</u>	\$ <u>1,200,000</u>
OPWC Loans:					
0% Ohio Public Works Commission Various Purpose Project Loans Due Through 2019 and 2020	\$ <u>4,288,338</u>	\$ <u>-</u>	\$ <u>(207,825)</u>	\$ <u>4,080,513</u>	\$ <u>236,882</u>
Total business-type activities long-term liabilities	\$ <u>22,576,079</u>	\$ <u>2,443,000</u>	\$ <u>(1,628,767)</u>	\$ <u>23,390,313</u>	\$ <u>2,955,596</u>

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

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, 2004 is as follows:

Governmental Activities

	<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>
2005	\$ 2,430,000	\$ 1,735,724	\$ 65,000	\$ 78,475	\$ 85,000	\$ 133,238
2006	2,444,000	1,410,885	70,000	75,355	90,000	126,225
2007	2,264,000	1,308,101	70,000	71,925	100,000	118,800
2008	2,349,000	1,211,965	75,000	68,425	105,000	110,550
2009	2,449,000	1,108,954	80,000	64,600	115,000	101,888
2010-2014	10,133,000	4,112,692	470,000	252,560	735,000	350,214
2015-2019	7,752,000	2,012,768	610,000	106,120	385,000	48,263
2020 and thereafter	4,236,000	585,724	-	-	-	-
	\$ <u>34,057,000</u>	\$ <u>13,486,813</u>	\$ <u>1,440,000</u>	\$ <u>717,460</u>	\$ <u>1,615,000</u>	\$ <u>989,178</u>

	<u>Ohio Public Works Commission Loans</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 141,380	\$ -	\$ 2,721,380	\$ 1,947,437
2006	141,380	-	2,745,380	1,612,465
2007	141,380	-	2,575,380	1,498,826
2008	141,380	-	2,670,380	1,390,940
2009	141,380	-	2,785,380	1,275,442
2010-2014	706,900	-	12,044,900	4,715,466
2015-2019	706,900	-	9,453,900	2,167,151
2020 and thereafter	272,616	-	4,508,616	585,724
	\$ <u>2,393,316</u>	\$ <u>-</u>	\$ <u>39,505,316</u>	\$ <u>15,193,451</u>

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 7: Long-Term Debt (continued)

A. Bonded Debt (continued)

Business-Type Activities

	General Obligation Bonds		Ohio Water Development Authority Loans		Ohio Public Works Commission Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 91,000	\$ 132,893	\$ 1,371,220	\$ 1,030,797	\$ 236,881	\$ -
2006	86,000	129,888	1,474,399	927,618	236,881	-
2007	96,000	125,996	1,586,544	815,473	236,881	-
2008	96,000	121,600	1,708,527	693,490	236,881	-
2009	106,000	117,157	1,841,309	560,708	236,881	-
2010-2014	907,000	485,317	6,783,847	928,822	1,184,405	-
2015-2019	973,000	253,526	-	-	1,184,405	-
2020 and thereafter	563,000	89,574	-	-	527,297	-
	\$ <u>2,918,000</u>	\$ <u>1,455,951</u>	\$ <u>14,765,846</u>	\$ <u>4,956,909</u>	\$ <u>4,080,513</u>	\$ <u>-</u>

Total	
Principal	Interest
\$ 1,699,101	\$ 1,163,690
1,797,280	1,057,506
1,919,425	941,469
2,041,408	815,090
2,184,190	677,865
8,875,252	1,414,139
2,157,405	253,526
1,090,297	89,574
\$ <u>21,764,359</u>	\$ <u>6,412,859</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 2004, 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, 2004

Note 7: Long-Term Debt (continued)

B. Capital Leases (continued)

Type	Governmental <u>Activities</u>	Business- <u>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, 2004:

	General Long-Term <u>Obligations</u>	Waste Water Enterprise <u>Fund</u>	Golf Course Enterprise <u>Fund</u>
2005	\$ 429,521	\$ 70,396	\$ 7,699
2006	358,642	70,396	7,700
2007	196,425	70,396	-
2008	194,919	70,396	-
2009	193,418	70,396	-
2010-2014	<u>743,572</u>	<u>140,789</u>	<u>-</u>
Total Minimum Lease Payments	2,116,497	492,769	15,399
Less: Amount Representing Interest	<u>340,596</u>	<u>80,576</u>	<u>1,638</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,775,901</u>	<u>\$ 412,193</u>	<u>\$ 13,761</u>

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 8: Notes Payable

Note debt activity for the year ended December 31, 2004 consisted of the following:

	Balance at <u>12/31/03</u>	New <u>Debt</u>	<u>Payments</u>	Balance at <u>12/31/04</u>
General Obligation Notes:				
Health Care Board Anticipation Notes	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
Beverly Hills Drive	1,200,000	1,200,000	1,200,000	1,200,000
Building of Senior Center/Euclid Park Clubhouse	2,500,000	-	2,500,000	-
Golf Course Clubhouse Notes	-	3,700,000	1,200,000	2,500,000
Renovating Golf Course Clubhouse	1,200,000	1,200,000	2,117,000	283,000
Improving Streets and planting trees	20,000	20,000	20,000	20,000
Improving Parks	60,000	60,000	60,000	60,000
Motorized Vehicles (additional)	360,000	360,000	360,000	360,000
Resurfacing and Improving Streets (additional)	362,000	362,000	362,000	362,000
Improving Buildings and Structures	396,000	396,000	396,000	396,000
	<u>\$ 6,098,000</u>	<u>\$ 9,298,000</u>	<u>\$ 8,215,000</u>	<u>\$ 7,181,000</u>

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, 2004

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 2004, 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 2004 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, 2004, 2003 and 2002 were \$1,189,609, \$1,073,592, and \$1,186,078, respectively. The full amount has been contributed for all three years. Contributions to the member-directed plan for 2004 were \$9,289 made by the City of Euclid and \$5,827 made by the plan members.

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, 2004, 2003, and 2002, were \$2,504,599, \$2,285,331, and \$2,403,203, respectively, equal to the required contributions for each year.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

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; 4.0 percent was the portion used to fund health care for the year. During 2004, the City's portion that was used to fund health care was \$498,266, representing 4.0 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, 2003; 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 2003 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 at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). The actuarially accrued postretirement health care liability for PERS at December 31, 2003 was \$26.9 billion. The net assets were \$10.5 billion, leaving an unfunded actuarial accrued liability of \$16.4 billion. The number of active participants was 369,885.

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, 2004

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 2003 and 2004, 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, 2003, the date of the last actuarial valuation available, was 13,662 for police and 10,474 for firefighters. The City’s actual contributions for 2004 that were used to fund post-employment benefits were \$489,964 for police and \$410,681 for firefighters. OP&F’s total health care expenses for the year ending December 31, 2003, the date of the last actuarial valuation available, was \$150,853,148, which was net of member contributions of \$17,207,506.

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.

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.

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 11: Risk Management (continued)

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, 2004.

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, 2004, \$2,864,046 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.

The schedule below presents the changes in Workers' Compensation claims liabilities as of December 31, 2004:

	<u>2004</u>	<u>2003</u>
Beginning of Fiscal Year Liability	\$ 2,880,500	\$ 3,215,055
Current Year Claims and Changes in Estimates	(513,000)	(17,055)
Claim Payments	<u>(292,500)</u>	<u>(317,500)</u>
Balance at Fiscal Year End	\$ <u>2,075,000</u>	\$ <u>2,880,500</u>

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

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, 2004, 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, 2004 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.

Note 13: Interfund Activity

Interfund transfers, which meet the ORC section 5705.14 to 5705.16, for the year ended December 31, 2004, consisted of the following:

Transfer to	Transfer from				Total
	General	Waste Water	Nonmajor Governmental	Internal Service	
General	\$ -	\$ 286,456	\$ -	\$ 200,000	\$ 486,456
Capital Bond and Note Construction	17,576	-	-	-	17,576
Nonmajor Governmental Funds	112,662	-	72,421	-	185,083
Internal Service	400,000	-	-	-	400,000
Total	\$ 530,238	\$ 286,456	\$ 72,421	\$ 200,000	\$ 1,089,115

City of Euclid, Ohio

Notes to the Financial Statements

December 31, 2004

Note 13: Interfund Activity (continued)

The General Fund transfers to the Nonmajor governmental funds were made to provide additional resources for current operations and to meet matching fund requirements relating to grant agreements. The Wastewater transfers to the General and Capital Bond and Note Construction Funds were made to off-set administrative expenses related to the operation of the Wastewater Treatment Plant. The Nonmajor governmental funds transfer to the General Fund was made to provide additional resources needed to stabilize the General Fund budget. The Nonmajor governmental funds transfers to the Capital Bond and Note Construction Fund and the nonmajor governmental funds were used to provide additional resources for current operations and to meet matching fund requirements related to the City's grant agreements.

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, 2004

Note 16: Compliance and Accountability

A. Compliance

Contrary to Ohio Revised Code section 5705.10, the City had a negative cash balance in the Community Development Block Grant Special Revenue Fund in the amount out \$102,293, indicating that revenues from other sources were used to pay obligations of these funds.

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

B. Accountability

Special Revenue Fund

The Community Development Block Grant Fund and the Recreation Operating Fund have fund deficits of \$163,514 and \$19,193, 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.

Internal Service Fund

This fund has a retained earnings deficit in the amount of \$1,867,873 which has been reduced from the prior year due to a decrease in claims payable and transfers from the General Fund. 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

For 2004, the City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units".

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

The implementation of GASB Statement No. 39 did not affect the presentation of the financial statements of the City.

Note 18: Subsequent Events

Proceeds of the general obligation bond issue in the amount of \$7,181,000 will be utilized to pay off \$7,181,000 of the notes payable in March and May of 2005. These bond proceeds have been recorded as restricted cash in the basic financial statements.

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.

Nuisance Abatement Fund

Accounts for revenues and expenditures related to the abatement of neighborhood nuisances.

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, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	\$ 1,362,236	\$ 1,041,940	\$ 2,404,176
Restricted cash	-	1,198,000	1,198,000
Taxes receivable	440,335	575,825	1,016,160
Accounts receivable	346,687	-	346,687
Interest receivable	8	11	19
Intergovernmental receivable	923,346	24,653	947,999
Special assessments receivable	-	139,759	139,759
Materials and supplies inventory	<u>146,672</u>	<u>-</u>	<u>146,672</u>
Total assets	<u>\$ 3,219,284</u>	<u>\$ 2,980,188</u>	<u>\$ 6,199,472</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 102,473	\$ 26,573	\$ 129,046
Accrued wages and benefits	106,409	1,048	107,457
Due to other governments	390,474	-	390,474
Due to other funds	-	-	-
Deferred revenue	1,022,057	740,236	1,762,293
Accrued interest payable	<u>-</u>	<u>19,693</u>	<u>19,693</u>
Total liabilities	<u>1,621,413</u>	<u>787,550</u>	<u>2,408,963</u>
Fund balance:			
Reserved for encumbrances	270,843	124,084	394,927
Reserved for inventory	146,672	-	146,672
Reserved for debt service	-	1,198,000	1,198,000
Unreserved; Undesignated, reported in:			
Special revenue funds	1,180,356	-	1,180,356
Capital projects funds	<u>-</u>	<u>870,554</u>	<u>870,554</u>
Total fund balances	<u>1,597,871</u>	<u>2,192,638</u>	<u>3,790,509</u>
Total liabilities and fund balances	<u>\$ 3,219,284</u>	<u>\$ 2,980,188</u>	<u>\$ 6,199,472</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, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$ 2,129,655	\$ 599,831	\$ 2,729,486
Intergovernmental	1,551,905	-	1,551,905
Charges for services	1,761,218	26,357	1,787,575
Fines and forfeitures	109,384	-	109,384
Special assessments	-	13,648	13,648
Investment income	52,038	2,211	54,249
Rents and royalties	65,105	19,126	84,231
Other	<u>81,403</u>	<u>16,711</u>	<u>98,114</u>
Total revenues	<u>5,750,708</u>	<u>677,884</u>	<u>6,428,592</u>
Expenditures:			
Current:			
General government	154,594	96,947	251,541
Public safety	985,652	365,249	1,350,901
Streets and highways	1,422,798	166,666	1,589,464
Refuse collection and disposal	77,807	23,257	101,064
Public health and welfare	846	100	946
Culture/recreation	990,141	110,935	1,101,076
Community development	1,394,781	95,325	1,490,106
Debt service:			
Principal retirement	336,380	99,693	436,073
Interest and fiscal charges	<u>227,839</u>	<u>25,086</u>	<u>252,925</u>
Total expenditures	<u>5,590,838</u>	<u>983,258</u>	<u>6,574,096</u>
Excess of revenues over (under) expenditures	<u>159,870</u>	<u>(305,374)</u>	<u>(145,504)</u>
Other financing sources (uses):			
Proceeds of notes and bonds	-	2,432,000	2,432,000
Proceeds from sale of fixed assets	-	2,800	2,800
Transfers - in	185,083	-	185,083
Transfers - out	<u>(600)</u>	<u>(71,821)</u>	<u>(72,421)</u>
Total other financing sources (uses)	<u>184,483</u>	<u>2,362,979</u>	<u>2,547,462</u>
Net change in fund balance	344,353	2,057,605	2,401,958
Fund balances at beginning of year	<u>1,253,518</u>	<u>135,033</u>	<u>1,388,551</u>
Fund balances at end of year	\$ <u>1,597,871</u>	\$ <u>2,192,638</u>	\$ <u>3,790,509</u>

City of Euclid, Ohio

Combining Balance Sheet Non-Major Special Revenue Funds

December 31, 2004

	<u>Streets and Highway</u>	<u>Community Development Block Grant</u>	<u>Recreation Operating</u>
Assets:			
Cash and cash equivalents	\$ 728,189	\$ 11,878	\$ 81,803
Taxes receivable	-	-	440,335
Accounts receivable	343,300	-	-
Interest receivable	6	-	-
Intergovernmental receivable	849,125	-	18,852
Materials and supplies inventory	131,738	-	3,175
Total assets	<u>\$ 2,052,358</u>	<u>\$ 11,878</u>	<u>\$ 544,165</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 56,812	\$ 15,000	\$ 30,661
Accrued wages and benefits	62,556	16,151	16,044
Due to other governments	188,743	144,241	57,465
Deferred revenue	562,869	-	459,188
Total liabilities	<u>870,980</u>	<u>175,392</u>	<u>563,358</u>
Fund balances:			
Reserve for encumbrances	88,454	112,671	4,726
Reserve for inventory	131,738	-	3,175
Unreserved; undesignated (deficit)	961,186	(276,185)	(27,094)
Total fund balances (deficit)	<u>1,181,378</u>	<u>(163,514)</u>	<u>(19,193)</u>
Total liabilities and fund balances	<u>\$ 2,052,358</u>	<u>\$ 11,878</u>	<u>\$ 544,165</u>

<u>Court Computerization</u>	<u>Animal Shelter</u>	<u>Nuisance Abatement</u>	<u>Other Grants</u>	<u>Total</u>
\$ 111,296	\$ 12,756	\$ 30,110	\$ 386,204	\$ 1,362,236
-	-	-	-	440,335
3,387	-	-	-	346,687
-	-	-	2	8
-	-	-	55,369	923,346
-	-	-	11,759	146,672
<u>\$ 114,683</u>	<u>\$ 12,756</u>	<u>\$ 30,110</u>	<u>\$ 453,334</u>	<u>\$ 3,219,284</u>
\$ -	\$ -	\$ -	\$ -	\$ 102,473
754	6,144	-	4,760	106,409
-	-	-	25	390,474
-	-	-	-	1,022,057
<u>754</u>	<u>6,144</u>	<u>-</u>	<u>4,785</u>	<u>1,621,413</u>
-	-	-	64,992	270,843
-	-	-	11,759	146,672
<u>113,929</u>	<u>6,612</u>	<u>30,110</u>	<u>371,798</u>	<u>1,180,356</u>
<u>113,929</u>	<u>6,612</u>	<u>30,110</u>	<u>448,549</u>	<u>1,597,871</u>
<u>\$ 114,683</u>	<u>\$ 12,756</u>	<u>\$ 30,110</u>	<u>\$ 453,334</u>	<u>\$ 3,219,284</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, 2004

	<u>Streets and Highway</u>	<u>Community Development Block Grant</u>	<u>Recreation Operating</u>
Revenues:			
Property taxes	\$ 1,675,300	\$ -	\$ 454,355
Intergovernmental	43,116	1,321,972	-
Charges for services	1,165,884	-	531,619
Fines and forfeitures	-	-	-
Investment income	2,248	-	-
Rents and royalties	-	-	18,860
Other	4,211	-	3,533
Total revenues	<u>2,890,759</u>	<u>1,321,972</u>	<u>1,008,367</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	416,957	-	-
Streets and highways	1,422,798	-	-
Refuse collection and disposal	77,807	-	-
Public health and welfare	-	-	-
Culture/recreation	-	-	990,141
Community development	-	1,302,619	-
Debt service:			
Principal retirement	336,380	-	-
Interest and fiscal charges	227,839	-	-
Total expenditures	<u>2,481,781</u>	<u>1,302,619</u>	<u>990,141</u>
Excess of revenues over (under) expenditures	<u>408,978</u>	<u>19,353</u>	<u>18,226</u>
Other financing sources (uses):			
Transfers - in	-	23,986	-
Transfers - out	-	-	(600)
Total other financing sources (uses)	<u>-</u>	<u>23,986</u>	<u>(600)</u>
Net change in fund balances	408,978	43,339	17,626
Fund balances (deficits) at beginning of year	<u>772,400</u>	<u>(206,853)</u>	<u>(36,819)</u>
Fund balances (deficits) at end of year	\$ <u><u>1,181,378</u></u>	\$ <u><u>(163,514)</u></u>	\$ <u><u>(19,193)</u></u>

	<u>Court Computerization</u>	<u>Animal Shelter</u>	<u>Nuisance Abatement</u>	<u>Other Grants</u>	<u>Total</u>				
\$	-	\$	-	\$	-	\$	2,129,655		
	-		-		186,817		1,551,905		
	-	39,908	-		23,807		1,761,218		
	109,384	-	-		-		109,384		
	-	-	-		49,790		52,038		
	-	46,245	-		-		65,105		
	-	-	-		73,659		81,403		
	<u>109,384</u>	<u>86,153</u>	<u>-</u>		<u>334,073</u>		<u>5,750,708</u>		
	754	-	-		153,840		154,594		
	157,141	127,143	19,890		264,521		985,652		
	-	-	-		-		1,422,798		
	-	-	-		-		77,807		
	-	846	-		-		846		
	-	-	-		-		990,141		
	-	-	-		92,162		1,394,781		
	-	-	-		-		336,380		
	-	-	-		-		227,839		
	<u>157,895</u>	<u>127,989</u>	<u>19,890</u>		<u>510,523</u>		<u>5,590,838</u>		
	<u>(48,511)</u>	<u>(41,836)</u>	<u>(19,890)</u>		<u>(176,450)</u>		<u>159,870</u>		
	-	-	50,000		111,097		185,083		
	-	-	-		-		(600)		
	<u>-</u>	<u>-</u>	<u>50,000</u>		<u>111,097</u>		<u>184,483</u>		
	(48,511)	(41,836)	30,110		(65,353)		344,353		
	<u>162,440</u>	<u>48,448</u>	<u>-</u>		<u>513,902</u>		<u>1,253,518</u>		
\$	<u><u>113,929</u></u>	\$	<u><u>6,612</u></u>	\$	<u><u>30,110</u></u>	\$	<u><u>448,549</u></u>	\$	<u><u>1,597,871</u></u>

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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, 2004

	<u>Municipal Court</u>	<u>Building Deposits</u>	<u>Other Agency Funds</u>	<u>Total Agency Funds</u>
Assets:				
Cash and cash equivalents	\$ <u>86,655</u>	\$ <u>109,710</u>	\$ <u>107,142</u>	\$ <u>303,507</u>
Total Assets	\$ <u><u>86,655</u></u>	\$ <u><u>109,710</u></u>	\$ <u><u>107,142</u></u>	\$ <u><u>303,507</u></u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 14,280	\$ 14,280
Due to other funds	86,655	-	-	86,655
Deposits Held	<u>-</u>	<u>109,710</u>	<u>92,862</u>	<u>202,572</u>
Total Liabilities	\$ <u><u>86,655</u></u>	\$ <u><u>109,710</u></u>	\$ <u><u>107,142</u></u>	\$ <u><u>303,507</u></u>

City of Euclid, Ohio

Agency Funds Combining Statements of Changes in Assets and Liabilities

For The Year Ended December 31, 2004

	Balance January 1, 2004, Restated	Additions	Deletions	Balance December 31, 2003
<u>Municipal Court</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 94,191	\$ 3,056,731	\$ 3,064,267	\$ 86,655
Total assets	<u>\$ 94,191</u>	<u>\$ 3,056,731</u>	<u>\$ 3,064,267</u>	<u>\$ 86,655</u>
<u>Liabilities</u>				
Due to other governments	\$ 94,191	\$ 3,056,731	\$ 3,064,267	\$ 86,655
Total liabilities	<u>\$ 94,191</u>	<u>\$ 3,056,731</u>	<u>\$ 3,064,267</u>	<u>\$ 86,655</u>
<u>Building Deposits</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 487,908	\$ 40,000	\$ 418,198	\$ 109,710
Total assets	<u>\$ 487,908</u>	<u>\$ 40,000</u>	<u>\$ 418,198</u>	<u>\$ 109,710</u>
<u>Liabilities</u>				
Deposits held	\$ 487,908	\$ 40,000	\$ 418,198	\$ 109,710
Total liabilities	<u>\$ 487,908</u>	<u>\$ 40,000</u>	<u>\$ 418,198</u>	<u>\$ 109,710</u>
<u>Other Agency Funds</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 219,065	\$ 25,094,204	\$ 25,206,127	\$ 107,142
Total assets	<u>\$ 219,065</u>	<u>\$ 25,094,204</u>	<u>\$ 25,206,127</u>	<u>\$ 107,142</u>
<u>Liabilities</u>				
Accounts payable	\$ 17,448	\$ -	\$ 3,168	\$ 14,280
Deposits held	201,617	25,094,204	25,202,959	92,862
Total liabilities	<u>\$ 219,065</u>	<u>\$ 25,094,204</u>	<u>\$ 25,206,127</u>	<u>\$ 107,142</u>
<u>Totals – All Agency Funds</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 801,164	\$ 28,190,935	\$ 28,688,592	\$ 303,507
Total assets	<u>\$ 801,164</u>	<u>\$ 28,190,935</u>	<u>\$ 28,688,592</u>	<u>\$ 303,507</u>
<u>Liabilities</u>				
Accounts payable	\$ 17,448	\$ -	\$ 3,168	\$ 14,280
Due to other	94,191	3,056,731	3,064,267	86,655
Deposits held	689,525	25,134,204	25,621,157	202,572
Total liabilities	<u>\$ 801,164</u>	<u>\$ 28,190,935</u>	<u>\$ 28,688,592</u>	<u>\$ 303,507</u>

**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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 25,660,344	\$ 25,679,067	\$ 23,433,240	\$ (2,245,827)
Intergovernmental	3,522,184	3,525,007	3,177,722	(347,285)
Charges for services	2,768,523	2,770,742	2,497,767	(272,975)
License/permit and inspection fees	370,687	370,985	334,435	(36,550)
Fines and forfeitures	1,597,394	1,598,674	1,441,172	(157,502)
Investment income	222,232	222,410	157,448	(64,962)
Rents and royalties	257,144	257,350	231,996	(25,354)
Other	<u>33,948</u>	<u>33,975</u>	<u>30,628</u>	<u>(3,347)</u>
Total revenues	<u>34,432,456</u>	<u>34,458,210</u>	<u>31,304,408</u>	<u>(3,153,802)</u>
Expenditures:				
Current:				
General government	10,415,668	10,393,429	10,336,540	56,889
Public safety	20,291,731	20,333,887	19,750,631	583,256
Refuse collection and disposal	1,835,057	1,835,057	1,810,642	24,415
Public health and welfare	211,953	239,537	239,756	(219)
Culture/recreation	734,261	751,665	741,815	9,850
Community development	487,150	482,245	484,664	(2,419)
Debt service:				
Principal retirement	80,000	80,000	80,000	-
Interest and fiscal charges	<u>139,838</u>	<u>139,838</u>	<u>139,838</u>	<u>-</u>
Total expenditures	<u>34,195,658</u>	<u>34,255,658</u>	<u>33,583,886</u>	<u>671,772</u>
Excess of revenues over (under) expenditures	<u>236,798</u>	<u>202,552</u>	<u>(2,279,478)</u>	<u>(2,482,030)</u>
Other financing sources (uses):				
Debt proceeds	-	-	4,063,000	4,063,000
Transfers - in	-	-	786,456	786,456
Transfers - out	<u>(516,252)</u>	<u>(516,252)</u>	<u>(508,209)</u>	<u>8,043</u>
Total other financing sources (uses)	<u>(516,252)</u>	<u>(516,252)</u>	<u>4,341,247</u>	<u>4,857,499</u>
Net change in fund balance	(279,454)	(313,700)	2,061,769	2,375,469
Fund balance, beginning of year	<u>1,984,871</u>	<u>1,984,871</u>	<u>1,984,871</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,705,417</u>	\$ <u>1,671,171</u>	\$ <u>4,046,640</u>	\$ <u>2,375,469</u>

City of Euclid, Ohio

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

Debt Service Fund

For The Year Ended December 31, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,231,969	\$ 3,231,969	\$ 3,318,558	\$ 86,589
Charges for services	-	-	208,298	208,298
Special assessments	-	-	200,451	200,451
Investment income	-	-	106,988	106,988
Total revenues	<u>3,231,969</u>	<u>3,231,969</u>	<u>3,834,295</u>	<u>602,326</u>
Expenditures:				
Current:				
General government	-	-	69	(69)
Debt service:				
Principal retirement	2,129,015	6,492,721	6,345,000	147,721
Interest and fiscal charges	<u>1,392,631</u>	<u>1,540,925</u>	<u>1,585,655</u>	<u>(44,730)</u>
Total expenditures	<u>3,521,646</u>	<u>8,033,646</u>	<u>7,930,724</u>	<u>102,922</u>
Excess of revenues over (under) expenditures	(289,677)	(4,801,677)	(4,096,429)	705,248
Other financing sources (uses):				
Debt proceeds	<u>-</u>	<u>4,137,000</u>	<u>4,413,000</u>	<u>276,000</u>
Net change in fund balance	(289,677)	(664,677)	316,571	981,248
Fund balance, beginning of year	<u>2,728,373</u>	<u>2,728,373</u>	<u>2,728,373</u>	<u>-</u>
Fund balance, end of year	\$ <u>2,438,696</u>	\$ <u>2,063,696</u>	\$ <u>3,044,944</u>	\$ <u>981,248</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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ 52,000	\$ 52,000	\$ 56,370	\$ 4,370
Investment income	1,098	2,242	2,290	48
Other	24,213	49,435	50,500	1,065
Total revenues	<u>77,311</u>	<u>103,677</u>	<u>109,160</u>	<u>5,483</u>
Expenditures:				
Current:				
General government	52,359	105,700	12,743	92,957
Culture/recreation	515,005	819,237	252,361	566,876
Community development	208,835	208,835	107,359	101,476
Debt service:				
Principal retirement	<u>875,991</u>	<u>6,385,418</u>	<u>5,817,000</u>	<u>568,418</u>
Total expenditures	<u>1,652,190</u>	<u>7,519,190</u>	<u>6,189,463</u>	<u>1,329,727</u>
Excess of revenues over (under) expenditures	<u>(1,574,879)</u>	<u>(7,415,513)</u>	<u>(6,080,303)</u>	<u>1,335,210</u>
Other financing sources (uses):				
Debt proceeds	1,174,689	7,015,323	10,287,000	3,271,677
Transfers - in	<u>50,000</u>	<u>50,000</u>	<u>17,576</u>	<u>(32,424)</u>
Total other financing sources (uses)	<u>1,224,689</u>	<u>7,065,323</u>	<u>10,304,576</u>	<u>3,239,253</u>
Net change in fund balance	(350,190)	(350,190)	4,224,273	4,574,463
Fund balance, beginning of year	<u>350,190</u>	<u>350,190</u>	<u>350,190</u>	<u>-</u>
Fund balance, end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,574,463</u>	\$ <u>4,574,463</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, 2004

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Charges for services	\$ 11,175,640	\$ 11,175,640	\$ 9,947,367	\$ (1,228,273)
Sewer levy	702,194	702,194	695,317	(6,877)
License/permit and inspection fees	108,540	108,540	104,372	(4,168)
Investment income	1,780	1,780	997	(783)
Intergovernmental	<u>414,040</u>	<u>414,040</u>	<u>212,688</u>	<u>(201,352)</u>
Total revenues	<u>12,402,194</u>	<u>12,402,194</u>	<u>10,960,741</u>	<u>(1,441,453)</u>
Expenses:				
Current:				
Personal services	4,616,151	4,616,151	4,015,864	600,287
Materials and supplies	1,001,269	1,001,269	762,391	238,878
Contractual services	2,942,599	2,942,599	2,396,193	546,406
Utilities	956,041	956,041	814,962	141,079
Claims	588	588	500	88
Debt service:				
Principal retirement	2,218,253	3,461,253	2,721,925	739,328
Interest and fiscal charges	<u>1,492,383</u>	<u>1,492,383</u>	<u>1,067,648</u>	<u>424,735</u>
Total expenses	<u>13,227,284</u>	<u>14,470,284</u>	<u>11,779,483</u>	<u>2,690,801</u>
Excess of revenues over (under) expenses	<u>(825,090)</u>	<u>(2,068,090)</u>	<u>(818,742)</u>	<u>(1,249,348)</u>
Other financing sources (uses):				
Debt proceeds	-	1,243,000	2,443,000	1,200,000
Transfers - in	1,250,000	1,250,000	1,263,000	13,000
Transfers - out	<u>(1,559,456)</u>	<u>(1,559,456)</u>	<u>(1,549,456)</u>	<u>10,000</u>
Total other financing sources (uses)	<u>(309,456)</u>	<u>933,544</u>	<u>2,156,544</u>	<u>1,223,000</u>
Net change in fund balance	(1,134,546)	(1,134,546)	1,337,802	2,472,348
Fund balance, beginning of year	<u>5,758,206</u>	<u>5,758,206</u>	<u>5,758,206</u>	<u>-</u>
Fund balance, end of year	\$ <u>4,623,660</u>	\$ <u>4,623,660</u>	\$ <u>7,096,008</u>	\$ <u>2,472,348</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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 811,842	\$ 811,842	\$ 786,232	\$ (25,610)
Sewer levy	13,158	13,158	12,743	415
Total revenues	<u>825,000</u>	<u>825,000</u>	<u>798,975</u>	<u>(26,025)</u>
Expenses:				
Current:				
Personal services	509,630	509,630	512,754	(3,124)
Materials and supplies	79,688	79,688	80,094	(406)
Contractual services	169,320	169,320	151,849	17,471
Utilities	28,246	28,246	28,390	(144)
Debt service:				
Principal retirement	6,677	6,677	6,711	(34)
Interest and fiscal charges	983	983	988	(5)
Total expenses	<u>794,544</u>	<u>794,544</u>	<u>780,786</u>	<u>13,758</u>
Net change in fund balance	30,456	30,456	18,189	(12,267)
Fund balance, beginning of year	<u>375,111</u>	<u>375,111</u>	<u>375,111</u>	<u>-</u>
Fund balance, end of year	\$ <u>405,567</u>	\$ <u>405,567</u>	\$ <u>393,300</u>	\$ <u>(12,267)</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, 2004

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 1,522,866	\$ 1,522,866	\$ 1,675,300	\$ 152,434
Intergovernmental	1,572	1,572	1,419	(153)
Charges for services	1,316,867	1,316,867	1,243,151	(73,716)
Investment income	2,312	2,312	2,242	(70)
Other	4,093	3,817	4,211	394
Total revenues	<u>2,847,710</u>	<u>2,847,434</u>	<u>2,926,323</u>	<u>78,889</u>
Expenditures:				
Current:				
Public safety	403,507	403,507	373,934	29,573
Streets and highways	1,538,479	1,694,013	1,538,215	155,798
Refuse collection and disposal	91,808	91,808	86,531	5,277
Debt service:				
Principal retirement	205,366	410,733	336,380	74,353
Interest and fiscal charges	139,100	278,200	227,839	50,361
Total expenditures	<u>2,378,260</u>	<u>2,878,261</u>	<u>2,562,899</u>	<u>315,362</u>
Net change in fund balance	469,450	(30,827)	363,424	394,251
Fund balance, beginning of year	<u>270,239</u>	<u>270,239</u>	<u>270,239</u>	<u>-</u>
Fund balance, end of year	\$ <u>739,689</u>	\$ <u>239,412</u>	\$ <u>633,663</u>	\$ <u>394,251</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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ <u>1,731,250</u>	\$ <u>1,731,250</u>	\$ <u>1,321,972</u>	\$ <u>(409,278)</u>
Expenditures:				
Current:				
Community development	<u>1,704,073</u>	<u>1,704,073</u>	<u>1,433,766</u>	<u>270,307</u>
Excess of revenues over (under) expenditures	27,177	27,177	(111,794)	(138,971)
Other financing sources (uses)				
Transfers- in	<u>-</u>	<u>-</u>	<u>1,957</u>	<u>1,957</u>
Net change in fund balance	27,177	27,177	(109,837)	(137,014)
Fund balance, beginning of year	<u>7,544</u>	<u>7,544</u>	<u>7,544</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>34,721</u></u>	\$ <u><u>34,721</u></u>	\$ <u><u>(102,293)</u></u>	\$ <u><u>(137,014)</u></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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 445,772	\$ 445,772	\$ 454,355	\$ 8,583
Charges for services	627,784	627,784	531,619	(96,165)
Rents and royalties	22,272	22,272	18,860	(3,412)
Other	<u>4,172</u>	<u>4,172</u>	<u>3,533</u>	<u>(639)</u>
Total revenues	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,008,367</u>	<u>(91,633)</u>
Expenditures:				
Current:				
Culture/Recreation	<u>1,053,987</u>	<u>1,083,987</u>	<u>996,590</u>	<u>87,397</u>
Net change in fund balance	46,013	16,013	11,777	(4,236)
Fund balance, beginning of year	<u>65,300</u>	<u>65,300</u>	<u>65,300</u>	<u>-</u>
Fund balance, end of year	\$ <u>111,313</u>	\$ <u>81,313</u>	\$ <u>77,077</u>	\$ <u>(4,236)</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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ <u>167,600</u>	\$ <u>167,600</u>	\$ <u>113,753</u>	\$ <u>(53,847)</u>
Expenditures:				
Current:				
Public safety	<u>265,462</u>	<u>265,462</u>	<u>197,897</u>	<u>67,565</u>
Excess of revenues over (under) expenditures	(97,862)	(97,862)	(84,144)	13,718
Other financing sources (uses):				
Transfers - in	<u>-</u>	<u>-</u>	<u>32,600</u>	<u>32,600</u>
Net change in fund balance	(97,862)	(97,862)	(51,544)	46,318
Fund balance, beginning of year	<u>162,840</u>	<u>162,840</u>	<u>162,840</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>64,978</u></u>	\$ <u><u>64,978</u></u>	\$ <u><u>111,296</u></u>	\$ <u><u>46,318</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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 28,069	\$ 34,672	\$ 39,908	\$ 5,236
Rents and royalties	<u>32,527</u>	<u>40,178</u>	<u>46,245</u>	<u>6,067</u>
Total revenues	<u>60,596</u>	<u>74,850</u>	<u>86,153</u>	<u>11,303</u>
Expenditures:				
Current:				
Public safety	<u>113,596</u>	<u>128,596</u>	<u>127,143</u>	<u>1,453</u>
Net change in fund balance	(53,000)	(53,746)	(40,990)	12,756
Fund balance, beginning of year	<u>53,746</u>	<u>53,746</u>	<u>53,746</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>746</u></u>	\$ <u><u>-</u></u>	\$ <u><u>12,756</u></u>	\$ <u><u>12,756</u></u>

City of Euclid, Ohio

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

Nuisance Abatement Fund

For The Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:				
Community development	\$ <u>-</u>	\$ <u>50,000</u>	\$ <u>19,890</u>	\$ <u>30,110</u>
Excess of revenues over (under) expenditures	-	(50,000)	(19,890)	30,110
Other financing sources (uses):				
Transfers - in	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	-	-	30,110	30,110
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>30,110</u></u>	\$ <u><u>30,110</u></u>

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, 2004

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental	\$ 216,294	\$ 216,294	\$ 179,058	\$ (37,236)
Charges for services	27,283	27,283	23,807	(3,476)
Investment income	66,123	66,123	49,788	(16,335)
Other	<u>185,301</u>	<u>185,301</u>	<u>73,659</u>	<u>(111,642)</u>
Total revenues	<u>495,001</u>	<u>495,001</u>	<u>326,312</u>	<u>(168,689)</u>
Expenditures:				
Current:				
General government	119,747	119,747	114,041	5,706
Public safety	427,863	512,564	306,369	206,195
Community development	<u>119,597</u>	<u>79,896</u>	<u>79,183</u>	<u>30,823</u>
Total expenditures	<u>667,207</u>	<u>712,207</u>	<u>499,593</u>	<u>242,724</u>
Excess of revenues over (under) expenditures	(172,206)	(217,206)	(173,281)	74,035
Other financing sources (uses)				
Transfers - in	<u>-</u>	<u>-</u>	<u>111,097</u>	<u>111,097</u>
Net change in fund balance	(172,206)	(217,206)	(62,184)	185,132
Fund balance, beginning of year	<u>392,063</u>	<u>392,063</u>	<u>392,063</u>	<u>-</u>
Fund balance, end of year	\$ <u>219,857</u>	\$ <u>174,857</u>	\$ <u>329,879</u>	\$ <u>185,132</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, 2004

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 582,931	\$ 582,931	\$ 599,831	\$ 16,900
Charges for services	44,659	44,659	45,872	1,213
Special assessments	14,310	14,310	13,648	(662)
Investment income	1,821	1,821	2,243	422
Rents and royalties	<u>59,835</u>	<u>59,835</u>	<u>19,126</u>	<u>(40,709)</u>
Total revenues	<u>703,556</u>	<u>703,556</u>	<u>680,720</u>	<u>(22,836)</u>
Expenditures:				
Current:				
General government	120,147	120,147	82,822	37,325
Public safety	474,720	474,720	317,378	157,342
Streets and highways	399,990	399,990	154,911	245,079
Refuse collection and disposal	28,822	28,822	39,970	(11,148)
Public health and welfare	124	124	100	24
Culture/recreation	324,266	324,266	233,811	90,455
Community development	330,060	330,060	89,910	240,150
Debt service:				
Principal retirement	219,986	1,453,986	1,362,693	91,293
Interest and fiscal charges	<u>26,991</u>	<u>26,991</u>	<u>19,703</u>	<u>7,288</u>
Total expenditures	<u>1,925,106</u>	<u>3,159,106</u>	<u>2,301,298</u>	<u>857,808</u>
Excess of revenues over (under) expenditures	<u>(1,221,550)</u>	<u>(2,455,550)</u>	<u>(1,620,578)</u>	<u>834,972</u>
Other financing sources (uses):				
Debt proceeds	-	1,234,000	2,432,000	1,198,000
Transfers - out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(71,821)</u>	<u>28,179</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>1,134,000</u>	<u>2,360,179</u>	<u>1,226,179</u>
Net change in fund balance	(1,321,550)	(1,321,550)	739,601	2,061,151
Fund balance, beginning of year	<u>1,368,914</u>	<u>1,368,914</u>	<u>1,368,914</u>	<u>-</u>
Fund balance, end of year	\$ <u>47,364</u>	\$ <u>47,364</u>	\$ <u>2,108,515</u>	\$ <u>2,061,151</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, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 48	\$ 48
Investment income	<u>6,000</u>	<u>6,000</u>	<u>1,271</u>	<u>(4,729)</u>
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>1,319</u>	<u>(4,681)</u>
Expenses:				
Current:				
Personal services	120,285	120,285	182,541	(62,256)
Materials and supplies	1,367	1,367	1,107	260
Contractual services	67,984	67,984	55,040	12,944
Claims	<u>375,107</u>	<u>375,107</u>	<u>303,689</u>	<u>71,418</u>
Total expenses	<u>564,743</u>	<u>564,743</u>	<u>542,377</u>	<u>22,366</u>
Excess of revenues over (under) expenses	<u>(558,743)</u>	<u>(558,743)</u>	<u>(541,058)</u>	<u>17,685</u>
Other financing sources (uses):				
Transfers - in	400,000	600,000	400,000	(200,000)
Transfers - out	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>200,000</u>	<u>(200,000)</u>
Net change in fund balance	(158,743)	(158,743)	(341,058)	(182,315)
Fund balance, beginning of year	<u>570,817</u>	<u>570,817</u>	<u>570,817</u>	<u>-</u>
Fund balance, end of year	\$ <u>412,074</u>	\$ <u>412,074</u>	\$ <u>229,759</u>	\$ <u>(182,315)</u>

City of Euclid, Ohio

Governmental Activities Revenues by Source and Expenses by Function

Last Two Years

Table 1

	<u>2004</u>	<u>2003</u>
Program revenues:		
Charges for services	\$ 6,819,398	\$ 7,263,058
Operating grants and contributions	179,059	502,101
Capital grants and contributions	1,320,553	1,525,639
General revenues:		
Property taxes	9,724,482	9,514,574
Municipal taxes	20,213,175	18,311,962
Grants and entitlements not restricted to specific programs	3,208,030	3,540,576
Investment earnings	398,378	257,951
Other	53,367	-
Total	\$ <u>41,916,442</u>	\$ <u>40,915,861</u>
Expenses:		
General government	\$ 11,965,470	\$ 12,228,561
Public safety	21,147,901	19,842,460
Streets and highways	1,489,045	1,432,019
Refuse collection and disposal	1,912,089	1,848,221
Public health and welfare	234,887	287,591
Culture and recreation	4,077,885	1,914,797
Community development	478,828	965,181
Interest and fiscal charges	2,069,348	1,913,236
Total	\$ <u>43,375,453</u>	\$ <u>40,432,066</u>

Source: City of Euclid, Finance Department

City of Euclid, Ohio

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

Last Ten Fiscal Years

Table 2

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Streets And Highways</u>	<u>Refuse Collection And Disposal</u>	<u>Public Health And Welfare</u>	<u>Culture/ Recreation</u>	<u>Community Development</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
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
2004	12,064	20,605	1,590	1,912	235	3,859	2,040	-	8,947	51,252

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 3

<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>
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
2004	29,816	4,726	4,710	572	1,488	397	756	42,465

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 4

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent Of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent Of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent Of Delinquent Taxes To Levy</u>
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
2004	\$ 8,771,142	7,024,716	80.1	524,587	7,549,303	86.1	1,151,541	13.1

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 5

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
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
2004	751,895	2,148,271	24,947	28,350	88,592	253,123	865,434	2,429,744

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% for capital assets and 24% for inventory for tangible personal.

City of Euclid, Ohio

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

Last Ten Fiscal Years

Table 6

<u>Tax Collection Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Public Utility Real (1)</u>	<u>Total Real Property</u>
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
2004	549,066	137,977	58,334	459	745,836

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 7

Tax Collection Year	General Fund	(2) Recreation Operating	Bond Retirement	City of Euclid			Total City Rate	City, Library And School District	County	Total
				(1) Special Revenue	Capital Improvement	Sewer Levy				
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
2004	6.72	1.30	3.88	0.00	1.70	2.00	15.60	90.90	18.30	109.20

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 8

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Assessed Value (000's)</u>	<u>Gross General Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
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
2004	52,717	865,436	37,112,000	3,008,900	34,103,100	0.039	646.91

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, 2004

Table 9

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Value (2002 for 2003 Collection)	\$ 865,435,613	\$ 865,435,613
Legal Debt Limitation (Percent)	<u>10.50%</u>	<u>5.50%</u>
Legal Debt Limitation (Dollar)	<u>90,870,739</u>	<u>47,598,959</u>
Applicable Debt Outstanding	37,112,000	37,112,000
Less: Applicable Debt Service Fund Amounts	<u>3,008,900</u>	<u>3,008,900</u>
Net Indebtedness Subject to Limitation	<u>34,103,100</u>	<u>34,103,100</u>
Legal Debt Margin	\$ <u>56,767,639</u>	\$ <u>13,495,859</u>

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

City of Euclid, Ohio

Computation Of Legal Debt Margin

December 31, 2004

Table 9

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Value (2002 for 2003 Collection)	\$ 865,435,613	\$ 865,435,613
Legal Debt Limitation (Percent)	<u>10.50%</u>	<u>5.50%</u>
Legal Debt Limitation (Dollar)	<u>90,870,739</u>	<u>47,598,959</u>
Applicable Debt Outstanding	37,112,000	37,112,000
Less: Applicable Debt Service Fund Amounts	<u>3,008,900</u>	<u>3,008,900</u>
Net Indebtedness Subject to Limitation	<u>34,103,100</u>	<u>34,103,100</u>
Legal Debt Margin	\$ <u>56,767,639</u>	\$ <u>13,495,859</u>

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

City of Euclid, Ohio

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

Last Ten Fiscal Years

Table 11

<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>
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
2004	6,620,000	1,572,116	8,192,116	51,252,116	0.16

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 12

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2004	10,511,923	10,313,927	197,996	1,628,767	991,596	2,620,363	1.22

- 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 Five Fiscal Years

Table 13

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
LONG-TERM INDEBTEDNESS:					
General Obligation Bonds -					
Various Purposes	\$ 21,320,000	\$ 26,785,000	\$ 24,795,000	\$ 22,715,000	\$ 29,527,000
Waterline Improvements	955,000	920,000	885,000	845,000	805,000
Peterson Improvements	-	4,175,000	4,030,000	3,880,000	3,725,000
Development Revenue Bonds	1,890,000	1,830,000	1,765,000	1,695,000	1,615,000
Waterline Improvements	2,005,000	1,930,000	1,845,000	1,765,000	1,675,000
Heritage Drive	1,670,000	1,615,000	1,560,000	1,500,000	1,440,000
OPWC Loan	4,107,055	6,243,219	6,902,549	6,823,034	6,473,829
Enterprise Debt – OWDA Loans	19,367,447	18,333,990	17,226,034	16,042,064	14,765,846
Enterprise Debt – Capital Lease	<u>32,051</u>	<u>12,855</u>	<u>539,513</u>	<u>480,677</u>	<u>425,954</u>
 Total Long-Term	 <u>51,346,553</u>	 <u>61,845,064</u>	 <u>59,548,096</u>	 <u>55,745,775</u>	 <u>60,452,629</u>
SHORT-TERM INDEBTEDNESS:					
General Obligation Bond Anticipated Notes -					
Equipment, Street and City Property Improvement	850,500	-	-	442,000	442,000
Fire vehicles and apparatus	234,000	-	-	-	-
Municipal buildings improvement	382,000	-	-	1,596,000	3,179,000
Motorized Equipment	465,500	-	-	360,000	360,000
Various Purposes	2,415,000	-	-	-	-
Water Lines/Hydrants	2,200,000	-	-	-	-
Parklawn	2,810,000	-	-	-	-
Jail Facility	68,000	-	-	-	-
Service Garage	600,000	-	-	-	-
Beverly Hills Drive	-	-	-	1,200,000	1,200,000
Senior Center	-	-	-	2,500,000	-
Health Care	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
 Total Short-Term	 <u>10,025,000</u>	 <u>-</u>	 <u>-</u>	 <u>6,098,000</u>	 <u>7,181,000</u>
 Total Indebtedness	 <u>\$ 61,371,553</u>	 <u>\$ 61,845,064</u>	 <u>\$ 59,548,096</u>	 <u>\$ 61,843,775</u>	 <u>\$ 67,633,629</u>

City of Euclid, Ohio

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

December 31, 2004

Table 14

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total Debt	\$ 61,371,553	\$ 61,845,064	\$ 59,548,096	\$ 61,843,775	\$ 67,633,629
Debt Per Capita	\$ 1,164.17	\$ 1,173.15	\$ 1,129.58	1,173.13	1,282.96
Percent Of Assessed Value	7.99%	7.46%	7.21%	7.15%	7.81%
Debt Per Capita As A Percent Of Median Household Income	3.31%	3.34%	3.21%	3.34%	3.65%

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, 2004

Table 15

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
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
2004	865,436	101,838,959	2,713	12,927,470

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, 2004

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>
1) Lincoln Electric Company	\$ 15,563,820	17.57%	1.80%
2) Argo Tech Corporation	5,953,300	6.72%	0.69%
3) HC Starck, Inc.	3,009,600	3.40%	0.35%
4) GE Lighting Inc	2,941,620	3.32%	0.34%
5) Stamco Industries, Inc.	2,355,450	2.66%	0.27%
6) Marine Mechanical Corp.	1,983,470	2.24%	0.23%
7) Turbine Engine Components	1,983,290	2.24%	0.23%
8) LBA Industries, Inc.	1,764,080	1.99%	0.20%
9) Park Ohio Holdings Corp.	1,718,970	1.94%	0.20%
10) Rick Case Motors Inc.	1,661,210	1.88%	0.19%
11) Kerr Lakeside Incorporated	1,635,540	1.85%	0.19%
12) Mid America Steel Corp.	1,417,060	1.60%	0.16%
13) K-Mart Corporation	1,390,300	1.57%	0.16%
14) Hose Master Inc	1,355,790	1.53%	0.16%
15) Home Depot USA Inc.	<u>1,309,410</u>	<u>1.48%</u>	<u>0.15%</u>
Total	\$ <u>46,042,910</u>	<u>51.97%</u>	<u>5.32%</u>
Total Assessed Value of Personal Property	\$ <u>88,592,903</u>	<u>100.00%</u>	<u>10.24%</u>
Total Assessed Value	\$ <u>865,435,613</u>		<u>100.00%</u>

Source: Cuyahoga County Auditor (MIS Department)

City of Euclid, Ohio

Principal Property Taxpayers – Real Property

December 31, 2004

Table 17

<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>
1) Lincoln Electric Company	\$ 12,244,630	1.63%	1.41%
2) Cleveland Electric Illuminating Co.	9,992,040	1.33%	1.15%
3) Ohio Bell Telephone Company	9,238,010	1.23%	1.07%
4) Indian Hills Senior Community, Inc.	8,263,500	1.10%	0.95%
5) Aerc-Watergate, Inc.	7,971,600	1.06%	0.92%
6) Harbor Crest Ltd.	5,511,100	0.73%	0.64%
7) Euclid Commerce One, LLC	4,657,980	0.62%	0.54%
8) Horizon House, Ltd.	3,642,630	0.48%	0.42%
9) Willo Arms Associates, Ltd.	3,300,500	0.44%	0.38%
10) Depot Land Co., Ltd.	3,163,030	0.42%	0.37%
11) AE Portfolio, LLC	3,155,540	0.42%	0.36%
12) Euclid Retirement Village	2,492,110	0.33%	0.29%
13) Mentor Inn Property Co, Ltd.	2,394,150	0.32%	0.28%
14) Alliance Health Care II, LLC	2,278,240	0.30%	0.26%
15) CDC Cleveland, LLC	<u>2,277,670</u>	<u>0.30%</u>	<u>0.26%</u>
Total	\$ <u>80,582,730</u>	<u>10.72%</u>	<u>9.31%</u>
Total Assessed Value of Real Property	\$ <u>751,895,150</u>	<u>100.00%</u>	<u>86.88%</u>
Total Assessed Value	\$ <u>865,435,613</u>		<u>100.00%</u>

Source: Cuyahoga County Auditor (MIS Department)

City of Euclid, Ohio

Demographic Statistics

December 31, 2004

Table 18

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, 2004

Table 18

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	112	0.5%
	<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, 2004

Table 18

	<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, 2004

Table 19

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	96
	Equipment (pieces)	59
	School guards	10
	Auxiliary	35
	Dispatchers	15
	Administrative personnel	12
	Corrections officers	38
Humane officer	2	
FIRE:	Stations	4
	Men	77
	Equipment (pieces)	19
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, 2004

Table 19

BANKS:	Banks and Savings & Loans	9
	Branches	15
CHURCHES:	Total	25
	Denominations	13
	Non-denominational	3
BUILDINGS:	Permits issued in 2003	2,713
	Valuation	\$12,927,470
INDUSTRY:	Manufacturing plants	150
	Products	Machines, automobile parts, electrical, welding equipment, small machine shop specialties and aerospace
RAILROADS:	Con-Rail	2
	Norfolk & Southern	
BUS LINES:	Regional Transit Authority (Cuyahoga County)	
MEDICAL:	Euclid Hospital	371 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	5
	Enrollment -- Public	6,402
	Enrollment -- Private	1,904
	Teachers (Administrative Personnel included)	483
	Colleges (in County)	13
LIBRARIES:	Public libraries	1
	Volumes available	299,340
	Visual aids	57,714
NEWSPAPERS:	Daily	2
	Weekly	1

City of Euclid, Ohio

Miscellaneous Statistical Data (Continued)

December 31, 2004

Table 19

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	55 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 -	
	Outdoor deep water	1 (75' x 150')
	Neighborhood shallow water	4 (35' x 80')
	Children's interactive	1
	Golf course -	
	City owned public course	18 holes – 126 acres, 6,274 yards, par 70
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, 2004

Table 20

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collected (1)</u>
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
2004	226	240

(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, 2004

Table 21

Type of Coverage	Policy Period		Coverage Limits	Annual Premium
	From	To		
Building & Contents	10/1/2004	10/1/2005	\$ 86,565,968	\$ 65,283
			\$ 25,000	
Buildings			\$ 54,580,531	
Business Personal Property			\$ 11,672,006	
Business Income			\$ 1,220,000	
Extra Expense			\$ 250,000	
Ordinance or Law – Demolition			\$ 500,000	
Ordinance or Law – Increased Cost of Construction			\$ 500,000	
Property in Open			\$ 14,915,310	
Misc. Articles				
Commercial Crime	10/1/2004	10/1/2005	\$ 100,000	\$ 3,621
Employee Theft			\$ 100,000	
Forgery or Alteration			\$ 2,500	
Inside Premises Theft of Money and Securities			\$ 25,000	
Outside Premises			\$ 25,000	
Boiler & Inland Marine	10/1/2004	10/1/2005	\$ 50,000,000	\$ 10,167
Building and Personal Property Coverage:				
Debris Removal			\$ 10,000	
Fire Department Service Charge			\$ 25,000	
Pollutant Clean Up and Removal			\$ 25,000	
Manufacturers Consequential Loss Aggregate				
Included w/business personal property limit				
Theft Damage to Unowned Building Property				
Included w/business personal property limit			\$ 10,000	
Inventory and Appraisals			\$ 5,000	
Recharge of Fire Protection Equipment				
resulting from a covered cause of loss			\$ 10,000	
resulting from other than a covered cause of loss			\$ 10,000	
Backup of Sewer or Drains			\$ 10,000	

City of Euclid, Ohio

Schedule Of Insurance (Continued)

As Of December 31, 2004

Table 21

Type of Coverage	Policy Period		Coverage Limits	Annual Premium
	From	To		
Boiler & Inland Marine (continued)				
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, 2004

Table 21

Type of Coverage	Policy Period		Coverage Limits	Annual Premium
	From	To		
Boiler & Inland Marine (continued)				
Inland Marine Floater Schedule			\$ 10,000 Deductible	
Mobile Equipment			\$ 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			\$ 957,150	
Hardware & Software			\$ 10,000 Deductible	
Extra Expense			\$ 10,000 or \$25,000	
Accounts Receivable Insurance	10/1/2004	10/1/2005	\$ 100,000 Blanket coverage at all locations	prem above
			\$ 10,000 Deductible	
Acts of Terrorism	10/1/2004	10/1/2005	10% of losses after the US Government payment up to 90% of losses per	\$ 856
Misc. Articles	10/1/2004	10/1/2005		
Scheduled Floater Insurance			\$ 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, 2004

Table 21

Type of Coverage	Policy Period		Coverage Limits		Annual Premium
	From	To			
Misc. Articles (continued)					
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	
Business Interruption	10/1/2004	10/1/2005	\$ 1,220,000	Briardale Greens Golf Course	prem above
			\$ 1,000	Deductible	
Fine Arts \$5,000 max. per item	10/1/2004	10/1/2005	\$ 100,000	Limits of Insurance	prem above
			\$ 10,000	Deductible	
Communications Towers	10/1/2004	10/1/2005	\$ 100,000	Coverage	prem above
Miscellaneous Property	10/1/2004	10/1/2005	\$ 100,000	Coverage	prem above
			\$ 1,000	Deductible	
Golf Course Greens & Tees	10/1/2004	10/1/2005	\$ 50,000	Any One Occurrence	prem above
			\$ 1,000	Deductible	
C-Mac Premium is reimbursed by Cuyahoga County	10/1/2004	10/1/2005	\$ 1,000,000	Combined Single Limit Liability	\$ 1,198
			\$ 500	Deductible – Collision	
			\$ 250	Deductible – Other than collision	
Mayor's Bond	10/1/2004	10/1/2005	\$ 25,000	Official Bond and Oath	\$ 325

City of Euclid, Ohio

Single Audit Reports

December 31, 2004

City of Euclid, Ohio

For The Year Ended December 31, 2004

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

Members of the City Council
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, 2004, which collectively comprise the City of Euclid's basic financial statements and have issued our report thereon dated June 22, 2005. 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.

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 an opinion 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 reportable 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 caused by error or fraud 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, 2005.

Compliance and Other Matters

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 grant agreements, 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 2004-01 and 2004-02. We also noted other matters that we have reported to management of the City in a separate letter dated June 22, 2005.

Members of the City Council
City of Euclid, Ohio

This report is intended solely for the information and use of management, City Council, finance committee, 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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 22, 2005

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
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 program for the year ended December 31, 2004. The City of Euclid's major federal program is 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 its major federal program 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 on 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 program for the year ended December 31, 2004.

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 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 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 caused by error or fraud 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, each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of the City of Euclid, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 22, 2005.

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 for the information and use of management, City Council, finance committee, 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.

Cioni & Parichi, Inc.

Cleveland, Ohio
June 22, 2005

City of Euclid, Ohio

Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2004

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	14.218	N/A	\$ <u>1,321,972</u>	\$ <u>1,323,930</u>
Total U.S. Department of Housing and Urban Development			<u>1,321,972</u>	<u>1,323,930</u>
U.S. Department of Justice:				
Local Law Enforcement Block Grant	16.592	N/A	10,985	26,017
Weed and Seed	16.595	N/A	54,893	32,475
Bulletproof Vest Program	16.607	N/A	1,814	11,328
Pass-through program from:				
Cuyahoga County Commissioners Department of Justice Affairs:				
Juvenile Accountability Incentive Block Grant	16.523	N/A	<u>11,474</u>	<u>15,379</u>
Total U.S. Department of Justice			<u>79,166</u>	<u>85,199</u>
Federal Emergency Management Agency				
Wellness and Fitness	83.554	N/A	<u>42,447</u>	<u>45,680</u>
Total Federal Emergency Management Agency			<u>42,447</u>	<u>45,680</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	93.045	N/A	<u>23,717</u>	<u>59,622</u>
Total U.S. Department of Health and Human Services			<u>23,717</u>	<u>59,622</u>
Total Expenditures of Federal Awards			\$ <u>1,467,302</u>	\$ <u>1,514,431</u>

The accompanying notes are an integral part of this schedule

City of Euclid, Ohio

Notes to the Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2004

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>41,985</u>

City of Euclid, Ohio

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

For The Year Ended December 31, 2004

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 and 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

2004-01 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.

City of Euclid, Ohio

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

For The Year Ended December 31, 2004

2004-02 Ohio Revised Code 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund indicates that money from one fund was used to cover the expenses of another fund.

Contrary to Ohio Revised Code section 5705.10, the City had a negative cash balance in the Community Development Block Grant Special Revenue Fund in the amount out \$102,293, indicating that revenues from other sources were used to pay obligations of these funds.

3. Findings for Federal Awards

There were no findings or questioned costs for federal awards to report in 2004.

City of Euclid, Ohio

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

December 31, 2004

Finding No.	Finding Summary	Fully Corrected?	Explanation
2003-01	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, 2004

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-01	The City will monitor expenditures to ensure that they have been properly encumbered.	December 31, 2005	Jack Johnson, Finance Director
2004-02	The City will monitor fund balances and properly advance funds to cover deficit fund balances, if necessary.	December 31, 2005	Jack Johnson, Finance Director



**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 4, 2005**