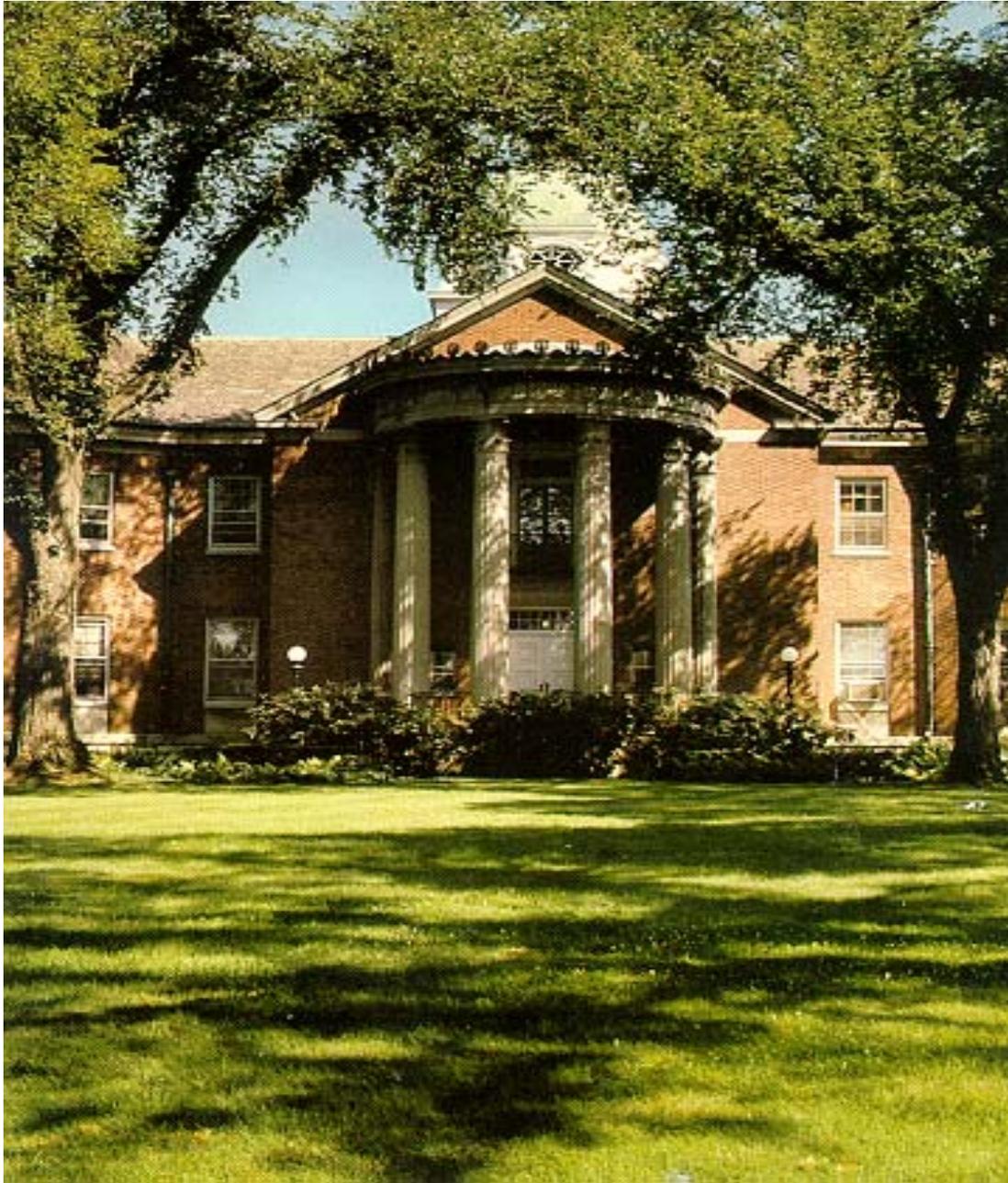


City of Shaker Heights, Ohio



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



**Auditor of State
Betty Montgomery**

Members of the City Council
City of Shaker Heights
3400 Lee Road
Shaker Heights, Ohio 44120

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 13, 2004

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The City of Shaker Heights

Judith H. Rawson, Mayor

June 28, 2004

Mayor Judith H. Rawson,
Members of City Council and
Citizens of the City of Shaker Heights, Ohio
Shaker Heights City Hall
3400 Lee Road
Shaker Heights, Ohio 44120

Re: Submission of 2003 Comprehensive Annual Financial Report

Dear Mayor Rawson, Members of Council and Citizens of Shaker Heights:

We are pleased to submit for your review the City's 2003 Comprehensive Annual Financial Report. Commonly referred to as a "CAFR", this report is the City's official annual report for the fiscal year ended December 31, 2003. This CAFR is a more extensive report than the basic financial statements and we believe that it demonstrates the City's ongoing commitment to be accountable not only to its citizenry but also to excellence in financial reporting. While no single report can be all things to all people, our goal in presenting this report is to provide any person or entity interested in the City of Shaker Heights with at least the minimum information needed to gain a fair understanding of the City's financial position, results of operations and cash flows.

The State of Ohio requires that all cities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Shaker Heights, Ohio for the year ended December 31, 2003.

This CAFR consists of management's representations concerning the finances of the City of Shaker Heights. Consequently, the management of the City assumes full responsibility for the completeness and reliability of all of the information presented in this report. In order to provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework. This internal control system has been designed to both protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As the management of the City of Shaker Heights, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Shaker Heights' financial statements have been audited by Ciuni & Panichi, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance

Finance Department

3400 Lee Road Shaker Heights, Ohio 44120-3493
Tel: 216.491.1421 Fax: 216.491.1465

that the financial statements of the City of Shaker Heights for the year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the results of the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended December 31, 2003 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Shaker Heights was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that city management provide a narrative introduction, overview and analysis to accompany the basis financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Financial Reporting Entity

Recognizing that the organizational structure of many governments has become increasingly complex, it is necessary to define the City of Shaker Heights, Ohio as a financial reporting entity. In preparing this CAFR, the City has reviewed its definition of reporting entity in order to ensure compliance with Statement No. 14 of the Governmental Accounting Standards Board. All entities over which the elected officials of the City are accountable to the citizens of Shaker Heights are included in this Comprehensive Annual Financial Report. Accordingly, this CAFR includes all funds and account groups of the City. In addition, we have reviewed the City's relationships with other organizations to determine whether or not any of these organizations should be included as a component of the City's reporting entity because the City is either financially accountable for them or because of the nature and significance of their relationship to the City the exclusion of the organization from the City's reporting entity would cause the City's financial statements to be misleading or incomplete. In performing this review, the following factors were considered:

- A. *The financial interdependency of the entities* - Is the City responsible for financing the entity's operating deficits or entitled to any operating surpluses? Is the City legally or morally responsible for repaying the entity's debt in the event of a default?
- B. *The selection of the governing authority* - Does the City or any of its elected officials make authoritative appointments to the entity's governing authority? An authoritative appointment is one where the elected official maintains a significant ongoing relationship with the appointed official with respect to carrying out important public functions.
- C. *Designation of management* - Is the day-to-day management of the entity appointed by or accountable to the City?
- D. *The City's ability to significantly influence operations.*
- E. *The entity's accountability to the City for fiscal matters* - Does the City exercise absolute authority over the entity's funds?
- F. *Is the entity closely related to the City?* - Does the nature and significance of the entity's relationship with the City warrant its inclusion in the City's reporting entity?

Based upon the above, the City's reporting entity does not include any component units, joint ventures, jointly governed organizations or other stand-alone governments.

Profile of the City of Shaker Heights, Ohio

The City of Shaker Heights, covering approximately 6.3 square miles and a population of 29,405, is

located approximately ten miles southeast of downtown Cleveland in Cuyahoga County in northeastern Ohio. Incorporated under Ohio law as a village in 1912, Shaker Heights became a city in 1931. As provided by Ohio law, the City operates under the auspices of its own charter, which was adopted by the voters in 1931. The Charter provides for the City to operate under the Mayor-Council form of government with the Mayor serving as the President of Council. The Mayor serves as the City's Chief Executive Officer and appoints and removes the City's Chief Administrative Officer and all department heads. The City is empowered by state statute to levy a property tax on both real and personal properties located within its boundaries. It is also empowered to levy a tax on the income and net profits of all individuals and businesses earned within the boundaries of the City as well as the income of City residents, regardless of where earned.

Legislative authority is vested in a seven member Council. All council members are elected at-large and serve for four-year terms. Council terms are staggered with four members being elected in one election and three members being elected in the next election two years following. City Council holds its regular monthly council meeting on the fourth Monday of the month. In addition, the Council holds a work session meeting on the second Monday of the month. The various committees of council meet on at least a monthly basis at various times throughout the month. The Mayor appoints all Council committees. The Chief Administrative Officer serves as the Clerk of Council with the Finance Director serving as the Clerk of Council Pro-Tem. The City department heads attend all regular council meetings and attend council work sessions whenever required.

Primarily considered to be a residential community, Shaker Heights is the nation's oldest completely planned community and is recognized in the National Register as the Shaker Village Historical District. Combining the "Garden City" movement with comprehensive planning, the City was initially planned and developed to include housing that was diverse in style and in price, large parcels of land for public and private schools and churches, lakes, parks and a golf course. The City is served by a rail transit system to downtown Cleveland. Originally City-owned and operated, the rail system is now owned and operated by the Greater Cleveland Regional Transit Authority.

The City provides a variety of City services to its citizens, including: Police and Fire Protection, Emergency Medical Service, Refuse Collection, Street Maintenance, Recreation, Municipal Court, Public Health, Community Planning and Development, Inspectional Services, Public Improvements and General Administrative Services. First Energy and the Dominion East Ohio Gas Company, both of which are independent, publicly owned utilities regulated by the State of Ohio, provide the City's residents with electricity and natural gas. The City of Cleveland and the Northeast Ohio Regional Sewer District provide water and sewage service to the City's residents. In addition to fees paid to the Northeast Ohio Sewer District, City residents also pay a local surcharge based upon water consumption that is used by the City for the maintenance and replacement of the sewer lines within the City.

In addition to the basic services, the City continues to make available superior recreational facilities and programs to its residents. The Thornton Park city recreation center is situated on a 13-acre campus and its facilities include an indoor ice arena that provides year-round service, an Olympic size outdoor pool, sand volleyball courts, outdoor tennis courts and fitness facilities. In addition to these programs, an extensive range of recreational programs is offered for children and adults. The City also maintains the Shaker Lakes, a 190-acre area that includes two lakes and a duck pond.

The City offers a high level of public service to its residents as exemplified by its back yard garbage collection program. Included in this program is the City's recycling sub-program. The City has provided each resident with containers for the recycling of metal, glass, newspapers and some plastics. All materials are picked up at the rear of the house at the same time as the non-recyclable trash. In addition, the City also offers recycling of corrugated cardboard, magazines and other materials at its service center.

The annual operating and capital budget serves as the basis for the City's financial planning and control. The City's Charter requires the Mayor, with the assistance of the Finance Director, to submit a draft of the following year's proposed budget not less than forty-five days (November 16th) prior to the end of each fiscal year. The Chief Administrative Officer is responsible for preparing the budget based upon information submitted by each director. Council is required to adopt either an annual budget for the ensuing year or temporary budget covering the first ninety days of the ensuing year, by no later than December 31st of the

current year. If a temporary budget is adopted, a permanent budget must be adopted by no later than the ninetieth day of the budget year, normally March 31st. The appropriated budget is prepared by fund and category (personal services and all other expenditures). The Mayor or Chief Administrative Officer may transfer appropriations between expenditure categories provided that the fund's total appropriation is not increased. Administratively, department heads may make transfer of appropriations within a department. Transfers between departments must be authorized by either the Mayor or Chief Administrative Officer. Council must authorize the transfer of moneys between funds. Operating budgets expire on December 31st. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Shaker Heights operates.

Local Economy - The City of Shaker Heights is an inner ring suburb of the City of Cleveland, Ohio. Primarily residential in nature, it has a diverse base of residents working in many professions and industries. The City's economic strength is directly linked to this diversity and the strength of northeast Ohio's economy. According to the Ohio Department of Taxation, the average federal adjusted gross income for residents of the Shaker Heights School District filing returns for calendar year 2001 was \$100,695, compared to the averages of \$47,521 for all Ohio school districts and \$45,562 for all districts in Cuyahoga County. While downtown Cleveland is only twenty minutes by car from the heart of the City, the rapid transit, a light rail public transit system, provides even more accessibility to downtown Cleveland's business community and attractions. The Greater Cleveland Regional Transit System has extended the original rapid transit rail line to serve not only downtown Cleveland but also the Cleveland waterfront area including the recreational/entertainment area known as the "Flats", the Rock & Roll Hall of Fame and Museum, the Great Lakes Science Museum, Gund Arena, Jacobs Field and Cleveland Browns Stadium. Another contributor to the City's economic strength is its proximity to the University Circle area of Cleveland. University Circle is the home to major cultural, educational and medical facilities including Severance Hall, the home of the world-renowned Cleveland Orchestra, the Cleveland Museum of Art, Case Western Reserve University, University Hospitals of Cleveland and the Cleveland Clinic, both world-renowned medical research, teaching and treatment facilities and the two largest employers in Cuyahoga County.

All of these factors have contributed to the continuing economic strength of the community. As a primarily residential community, there is no better indicator of the economic strength of the community than property values and income taxes. During 2003, the Cuyahoga County Auditor completed a reassessment of the value of all real estate in the County in order to update valuations assigned to the property during the Auditor's 2000 reappraisal. The Auditor's study determined that the value of residential real property had increased by approximately 15.3% over 2000 values. Overall, total property valuation increased by 14.5%. Since the 1994 reappraisal, the assessed value of residential property in the City has increased by 39.2% and commercial property by 37.3%.

City income tax revenue increased by approximately 21.3% in 2003 over the amount realized in 2002. Included in this amount is the largest single payment from a taxpayer in the City's history. After factoring out this payment, revenue from individual taxpayers decreased by approximately 3.1% while revenue from withholding taxes, business net profits and related penalties and interest increased by 11.3%. To protect and enhance its income tax base, the City has continued to emphasize the importance of maintaining and improving its housing stock in order to assure that the City continues to be recognized as one of the nation's premier residential communities.

During 2003, the City was the recipient of a \$12 million estate tax payment, one of the largest payments in the history of Cuyahoga County. Over the last five years, the City has average approximately \$3.2 million per year from this revenue source. This amount is expected to decline to approximately \$2.2 million annually as the result of changes in Ohio's Estate Tax regulations that were enacted by the State of Ohio in 2001. The City has committed to using the extraordinary Estate Tax revenue for long-term economic

development and housing projects that are intended to protect and enhance the City's tax base.

Major Initiatives

Long-Term Financial Planning – The City is continuing to implement redevelopment projects pursuant to its Strategic Development Plan. During 2003, City issued \$15.4 million in tax increment financing bonds to finance the City's share of the Sussex Courts and Shaker Towne Centre redevelopment projects and the construction of a new firehouse. The first phase of the Sussex Courts was completed in 2002 and construction of the final phase of the project was begun in 2003 with completion expected in 2004. When completed, the development will feature 46 upscale townhouses on the north and south sides of Chagrin Boulevard, one of the City's main east/west thoroughfares. The project also includes the narrowing of Chagrin Boulevard and streetscaping in order to create a more pedestrian friendly environment. Once completed, the market value of Sussex Courts will increase from \$660,000 to approximately \$14 million. The debt issued for the project will be retired using 75% of the additional revenue generated from the new property value created by the project.

During 2003, the Shaker Towne Centre redevelopment project continued. The project will result in approximately \$70 million in public and private improvements in the Shaker Towne Centre district. During 2002 and 2003, the City acquired and cleared the development parcel. During 2004, the City will begin construction of a new road through the development parcel and the existing shopping center that will connect Van Aken Boulevard to Chagrin Boulevard. The City will construct all necessary utilities to service the new road and the resulting development sites. The City will also be narrowing and resurfacing the portion of Chagrin Boulevard that runs through the shopping district. Once this work has been completed, the City will also streetscape Chagrin Boulevard and the new road. Pursuant to the project development agreement, the private development will begin after the new road has been constructed. The developer anticipates constructing two loft style condominium buildings, an active senior condominium building, eight town homes, ten row houses and two retail/commercial buildings. This project will add approximately 200 new housing units to the City with an estimated market value of approximately \$52 million. It is anticipated that the project will take approximately five years to complete. The public portion of the project is being financed using a combination of tax increment financing, City sewer user fees and federal TEA-21 and Community Development Block Grants.

As part of its Strategic Investment Plan, the City has acquired approximately 40% of the retail property located on the south side of Chagrin Boulevard in the Shaker Towne Centre shopping district. The City is exploring options for the future redevelopment of the Chagrin Boulevard south retail district that will complement the redevelopment currently underway on the north side of the street. The City is currently in the process of studying proposals from private developers for this future project.

As was noted previously, during 2003, the City received extraordinarily large income and estate tax payments. As was stated earlier, the City has committed to using the extraordinary revenue from both sources to provide for long-term economic development projects that are intended to protect and enhance the City's tax base. \$1.68 million of the extraordinary income tax revenue was to retire the note issued by the City to finance its unfunded police and fire pension liabilities. Retiring this debt resulted in an annual debt service savings of approximately \$250,000. This savings, supplemented by \$750,000 in extraordinary income tax revenue, was used to establish an Economic Development Fund. This fund will be used by the City to explore economic development possibilities that are intended to enhance the City's tax base and enhance the flow of operating revenue in future years. The City is currently in the process of developing a similar plan for the use of the \$12 million in extraordinary estate tax revenue received in 2003.

In addition to its routine street maintenance program, the City will be completing improvements to two of its major thoroughfares. Chagrin Boulevard, a major east-west thoroughfare that connects the City's two major retail districts, will be resurfaced from border to border in 2004. This project will be completed in cooperation with the Ohio Department of Transportation. A TEA-21 Grant awarded to the City will finance 80% of the estimated \$660,000 cost of construction. Before the street is to be resurfaced, the City will be replacing several sewer lines to avoid the need to disturb the newly resurfaced roadway in the future. The estimated \$500,000 sewer line replacement cost is to be financed by revenue from the City's sewer user fee.

The City also plans to reconstruct Lee Road, a major north-south thoroughfare, from border to border. Planning for this project will be undertaken in 2004 with construction scheduled for 2005. A TEA-21 Grant

awarded to the City will finance 80% of the estimated \$1.96 million cost of construction. Before the street is to be reconstructed, the City will be replacing five sewer lines to avoid the need to disturb the newly resurfaced roadway in the future. The estimated \$1.6 million cost of these sewer line replacements is to be financed by revenue from the City's sewer user fee. The planning for and timing of both the Chagrin Boulevard and Lee Road street and sewer projects are being coordinated with the Sussex and Shaker Towne redevelopment projects in order to minimize the disruption to the businesses and residents in these areas as well as maximizing the impact of the projects.

The City has been maintaining its sewer lines based upon a master plan that was developed in 1992. The majority of the maintenance work identified in that plan is nearing completion. Accordingly, during 2004 the City will be undertaking another study of the status of its sewer system in order to develop a master infrastructure maintenance and financing plan covering the next ten years. The City also plans to undertake a study of the flood plain that exists in the southwest section of the City. The objective of this study will be to reduce the size of the flood plain as it is currently drawn in order to eliminate the flood insurance requirement for residents and businesses that are located in the borders of the flood plain as currently drawn but will be outside of the borders of the new flood plain. In addition, the cost of developing in the areas removed from the flood plain will be reduced as construction requirements for building in the flood plain will not have to be met by these properties. The City believes that the impact of past sewer and storm water management projects performed by the City and the Northeast Ohio Regional Sewer District will make a change in the size of the flood plain possible.

The City is currently in the process of replacing or relining waterlines on twelve streets. Planning for this \$4.3 million project began in 2002 with construction beginning in 2003. It is expected that this project will be completed in late 2004 or early 2005. A \$4.1 million, twenty-year, interest-free loan that was awarded the City by the Ohio Public Works Commission, is funding this project. When completed, the project will result in improved water pressure in the areas served by these waterlines.

The City will begin the two-year process of completely replacing its current mechanical traffic signalization system with a computer-coordinated system. The new system will improve traffic flow throughout the City and allow the City's Police Department to monitor traffic flow throughout the City and make adjustments where needed from a central command center located in the police station. This type of traffic management is not possible with the City's current system. More importantly, the new system should greatly enhance the safety of the motoring public. The system will also incorporate the traffic signalization requirements of the Greater Cleveland Regional Transit Authority's light rail system that runs through the City at street level. The engineering, design and planning for this project was begun in 1993. The project is being managed by the Ohio Department of Transportation. Construction is scheduled to begin in the summer of 2004 with a projected completion date of 2006. The estimated construction cost of this project is \$9.04 million. The net cost to the City of this project is approximately \$572,000 after allowing for the \$7.4 million TEA-21 grant awarded the City and the GCRTA's \$873,000 contribution to finance the net cost of work related to incorporating the requirements of its light rail system into the signalization system.

Financial Condition

This is the first year that the City of Shaker Heights has prepared financial statements in accordance with GASB Statement 34, "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments". GASB 34 creates new basic financial statements for reporting on the City's financial activities as follows:

Government-wide financial statement These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by businesses.

Fund financial statements These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds are the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of the new reporting model, management is responsible for preparing a discussion and analysis of the City. This discussion follows the independent auditor's report providing an assessment of the City finances for 2003.

Cash Management - The City invests temporarily idle cash in treasury notes, treasury bills, repurchase agreements and other authorized instruments. The authorized maximum investment maturity is five years from the date of purchase. The maturities of the investments range from three months to five years with an average maturity of twenty-five months. The average annual yield on investments during 2004 was 2.1%. Investment income includes appreciation in the fair value of investments. Changes in the fair value of investments during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk Management - The City strives to provide itself with superior risk coverage at the lowest possible cost to its residents. Since 1986, when the City completely self-insured its general liability due to skyrocketing premium costs relative to the insurance coverage provided, the City has been successful in obtaining various forms of excess liability insurance coverage while still self-insuring a portion of its risk. For the years 1994 through 1999, the City applied for and was accepted in the State of Ohio Workers' Compensation Retrospective Rating Plan. Under the terms of this plan, the City initially paid a fraction of the premium (the minimum premium) that it would have had to pay as an experience-rated risk. As costs for the City's injured workers' claims are incurred and paid by the Bureau of Workers Compensation, the City then reimburses the Bureau for all amounts paid, subject to the individual claim cost and employer's premium limitation. For the years 1995 through 1999 respectively, the City adopted a plan with no limit on individual claims and an overall premium limitation 200% of the experience plan premium. For 1994, the City adopted a plan with no limit on individual claims and an overall premium limitation of 150% of the experience plan premium. This translates to an overall premium limitation of \$1.4 to \$2.0 million per year for each of these years' claims. Within these limitations, the City is responsible for funding all costs for the ten-year period following the claim year. At that time the Bureau will bill the City for any unresolved claims and then assume responsibility for any future expenses. The City has fully funded its Self-Insurance Internal Service Fund according to what it believes its true claims cost will be based upon an outside consultant's analysis of the City's claims history. Adoption of this plan has resulted in annual cost avoidances ranging from \$425,000 to \$565,000 per year or approximately \$2.2 million over the five-year period. As with all risk, the City continues to closely monitor its reserves, adjusting them accordingly as the need arises. For 2003, the City chose the traditional manner of funding claims, as an experience rated risk, thereby transferring all future risk to the Ohio Bureau of Workers Compensation. Additional information on the City's risk management activity can be found in Note 15 of the notes to the financial statements.

Other Information

GFOA Certificate of Achievement Award: We are proud to report that the Government Finance Officers Association of the United States and Canada (commonly referred to as GFOA) awarded a Certificate of Achievement For Excellence In Financial Reporting to the City of Shaker Heights for its comprehensive annual financial report for the fiscal year ended December 31, 2002. This was the seventh consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement by the GFOA, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to the program's standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one-year. We believe that the City's current CAFR continues to conform to the Certificate of Achievement program's requirements and, as such, it will be

submitted to the GFOA for evaluation.

Acknowledgements: The successful completion of a report of this scope depends upon the dedicated contributions of many employees. The sincere appreciation of those primarily responsible for the completion of this CAFR is extended to all contributors, but especially those employees in the Department of Finance, particularly Supervisor of Accounting Deborah Armstrong, Staff Accountants Joseph K. Dubovec, Renee T. Mahoney, and Shirley Moore; and Data System Technician Gail Little. Without their dedicated assistance, this report would not have been possible. Finally, the Staff wishes to extend its appreciation to the Mayor, City Council, and the Finance Committee for their support and commitment to responsible fiscal reporting.

Respectfully submitted,

Jeri E. Chaikin
Chief Administrative Officer

Frank J. Brichacek
Finance Director

*City of Shaker Heights, Ohio
Comprehensive Annual Financial Report
Listing of Principal City Officials
Year Ending December 31, 2003
Elected Officials*

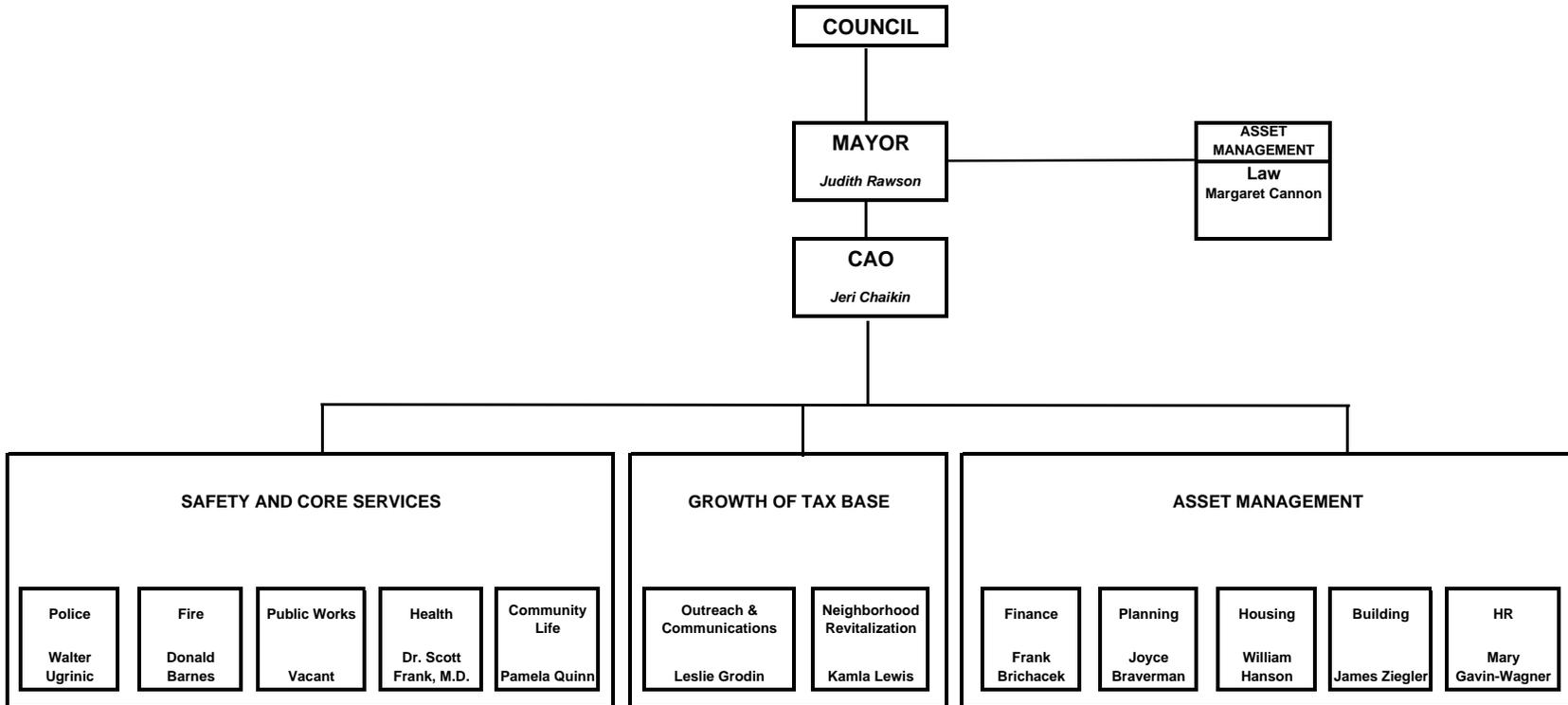
Mayor	Judith H. Rawson
Councilmember/Vice Mayor	Stephanie Turner
Councilmember	Jan M. Devereaux
Councilmember	Brian S. Gleisser
Councilmember	Laura L. Holmes, M.D.
Councilmember	Kenneth J. Kovach
Councilmember	Earl M. Leiken
Councilmember	Brian E. Parker

APPOINTED OFFICIALS

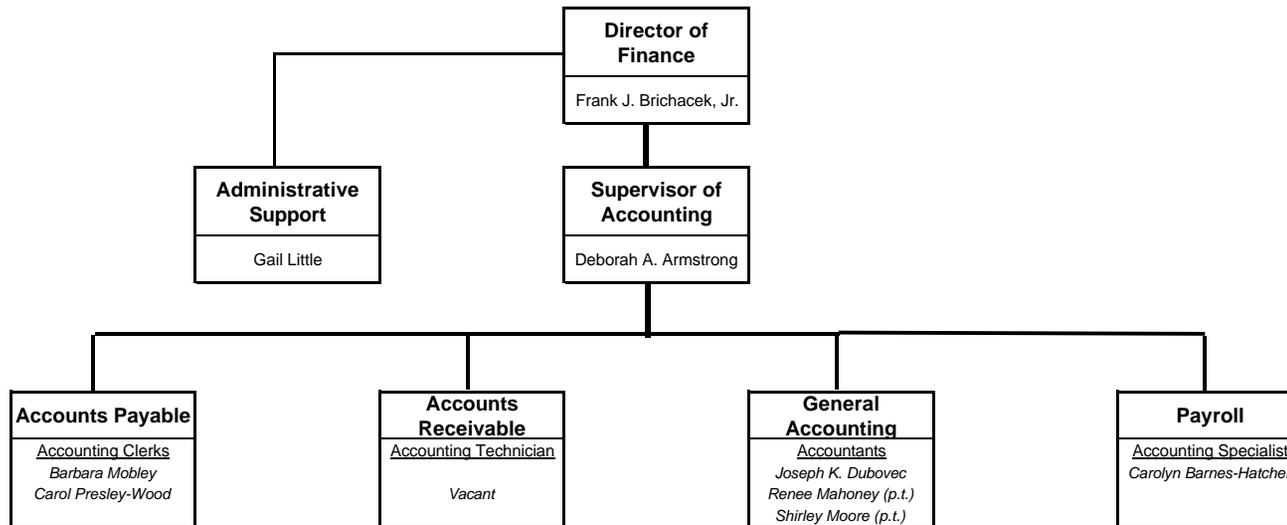
Chief Administrative Officer	Jeri E. Chaikin
Director of Finance	Frank J. Brichacek, Jr.
Director of Building	James P. Ziegler
Director of Community Life	Pamela Quinn
Chief of Fire	Donald A. Barnes
Director of Health	Dr. Scott H. Frank
Director of Housing Inspection	William E. Hanson
Director of Human Resources	Mary Gavin-Wagner
Director of Law	Margaret Anne Cannon
Director of Planning and Development	Joyce G. Braverman
Chief of Police	Walter A. Ugrinic
Director of Public Works	Vacant
Director of Neighborhood Revitalization	Kamla Lewis
Director of Communications & Outreach	Leslie Grodin

The City of Shaker Heights, Ohio
 City Organizational Chart
 December 31, 2003

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City of Shaker Heights, Ohio
Finance Department Organizational Chart
December 31, 2003



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Shaker Heights,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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



President

Executive Director

Independent Auditor's Report

Members of the City Council
City of Shaker Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shaker Heights, as of and for the year ended December 31, 2003 which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Shaker Heights'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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shaker Heights, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2004 on our consideration of the City of Shaker Heights' 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.

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'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 & Panichi, Inc.

Cleveland, Ohio
June 15, 2004

City of Shaker Heights
Management's Discussion and Analysis
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The discussion and analysis of the City of Shaker Heights' financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the additional information contained in the transmittal letter, the basic financial statements and the accompanying notes to those financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- ◆ The assets of the City of Shaker Heights exceeded its liabilities at the close of the most recent fiscal year by \$88.0 million. Of this amount, \$26.4 million may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$23.8 million, which represents an increase of approximately 23 percent over 2002. The biggest change was an increase in the Capital Assets by \$2.8 million and taxes receivable increased by \$1.5 million. A positive offset was provided by an increase of approximately \$17.7 million in the Cash and Cash Equivalents.
- ◆ Total liabilities increased by \$5.3 million, which represents an increase of 15 percent over 2002. The main factors contributing to this change was an increase of \$15.4 million in long-term liabilities, primarily the result of a general obligation bond that was issued to refinance short-term temporary bonds issued to finance the City's urban renewal improvement projects. As a result of this bond issuance, there was a decrease of \$12.6 million in the notes payable category.
- ◆ In total, net assets in governmental activities increased by \$18.6 million during 2003. This represents a 27 percent increase from 2002.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of Shaker Heights' basic financial statements. The City of Shaker Heights' 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 themselves.

Government-wide financial statements – Reporting the City of Shaker Heights as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City of Shaker Heights' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Shaker Heights is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of

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accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities:** virtually of the City of Shaker Heights' basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income taxes, property taxes, and state and federal grants finance most of these activities.
- **Business-type activities:** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's self-insurance and other internal service activities are reported in this category.

Fund Financial Statements - Reporting the City of Shaker Heights' Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City of Shaker Heights, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Shaker Heights 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 the balance 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. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City of Shaker Heights maintains 26 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund and the Capital Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Shaker Heights adopts an annual appropriated budget for each of its funds. A budgetary comparison statement (non-GAAP basis) has been provided for each governmental and proprietary fund to demonstrate budgetary compliance.

Proprietary Funds

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The City of Shaker Heights maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has no activity that fits this category. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains 4 individual internal service funds. Because these activities predominately benefit governmental rather than business 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 combined information for the self-insurance, stores, printing and garage operations, all of which are considered to be nonmajor funds. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 21 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 statement because the resources are not available to support the City's own programs. The City of Shaker Heights has only agency funds to report within the Fiduciary Fund category. Agency funds are reported on a full accrual basis and only present a statement of assets and liabilities.

Notes to the Financial Statements

The notes provide additional information that is essential for 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 25 of this report.

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements, the combining statements referred to earlier in connection with nonmajor governmental funds are presented, as well as individual detailed budgetary comparisons for all nonmajor funds. This information can be found starting on page 53 of this report.

Government-wide Financial Analysis - City of Shaker Heights 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.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues

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- General Revenues
- Net Assets Beginning and End of Year

Table 1 provides a summary of the City's net assets for 2003 as compared to 2002.

Table 1
City of Shaker Heights' Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$79,909,461	\$58,941,852
Capital Assets, Net	49,027,653	46,186,214
<i>Total Assets</i>	<u>128,937,114</u>	<u>105,128,066</u>
Liabilities		
Current Liabilities and Other Liabilities	22,157,770	32,349,128
Long-term Liabilities		
Due Within One Year	276,483	165,825
Due In More Than One Year	18,499,589	3,166,002
<i>Total Liabilities</i>	<u>40,933,842</u>	<u>35,680,955</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	28,268,341	29,561,527
Restricted for:		
Capital Projects	29,801,324	25,812,292
Other Purpose	3,533,961	5,375,465
Unrestricted	26,399,646	8,697,827
<i>Total Net Assets</i>	<u><u>\$88,003,272</u></u>	<u><u>\$69,447,111</u></u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Shaker Heights, assets exceed liabilities by \$88,003,272 as of December 31, 2003. The second largest portion of the City's net assets (32.1%) reflects investments in capital assets (e.g. land, buildings, infrastructure, machinery and equipment), net of any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently these net assets are not available for future spending. Although the City's investment in its capital assets

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is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets increased by \$23,809,048 from 2003 to 2002 while total liabilities increased by \$5,252,887. The most significant change was an increase in Cash and Cash Equivalents where there was an increase of \$17,670,821 during the fiscal year. The increase in liabilities was due mainly due to the issuance of bonded debt, net of the retirement of notes payable, and an increase in Accounts Payable. The total net assets of the City increased by \$18,556,161. This increase is due mainly to an increase in Cash and Cash Equivalents of \$17,670,821 during the fiscal year.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. However, since this is the first year the City has prepared financial statements following GASB 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

Program Revenues	\$14,425,718
Charges for Services	
Operating Grants, Contributions and Interest	3,578,180
Capital Grants and Contributions	46,304
<i>Total Program Revenues</i>	18,050,202
General Revenues	
Property Taxes	6,475,426
Income Taxes	22,626,009
Grants and Entitlements	17,076,027
Investments Earnings	584,972
<i>Total Revenues</i>	64,812,636
Program Expenses	
General Government	6,710,053
Security of Persons and Property	19,885,932
Public Health Services	633,129
Leisure Time Activities	3,972,556
Housing and Community Development	5,149,752

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Sanitation and Sewer Services	4,212,867
Street Maintenance and Repair	2,742,224
Public Works – Other	2,645,335
Interest and Fiscal Charges	304,627
<i>Total Program Expenses</i>	46,256,475
<i>Changes in Net Assets</i>	\$18,556,161

Governmental Activities

Governmental activities increased the City's net assets by \$18,556,161. The primary reason for the increase was due to increases in the amount of Income and Estate Taxes received during 2003. Estate Tax revenue increased by \$12,519,346 over the amount received in 2002. During 2003, the City received a single Estate Tax payment of approximately \$12 million. This amount was unprecedented in the City's history and is the largest single payment in Cuyahoga County in recent memory. Income Tax revenue increased by \$4,000,258, a 21.3% increase, in 2003 over the amount received by the City in 2002. This increase was primarily the result of the receipt of the largest individual tax payment in the history of the City. After factoring out this payment, revenue from individual taxpayers decreased by approximately 3.1% while revenue from withholding taxes, business net profits and related penalties and interest increased by 11.3%.

Several revenue sources serve as the primary funding sources for the City's governmental activities, with the income tax being the biggest contributor followed by revenue from property taxes, grants and entitlements and charges for services. The City's income tax rate was 1.75% for 2003. The City's tax rate has been stable since the voters last increased it in 1981. Both residents of the City and non-residents who work inside the City are subject to the income tax. The City grants an income tax credit to residents who work in a locality that has a municipal income tax. The City provides a credit of up to one-half of one percent of the tax rate of the resident's workplace community's income tax rate. City Council could by ordinance choose to vary that income tax credit thereby creating additional revenue for the City. Due to the City's recent history of income tax collection increases, which have averaged 1.3% since 2000 after factoring out the extraordinary revenue received in 2003, the City has realized an increase in its net assets making such a consideration unnecessary, but a future option.

Income tax revenue for 2003 was \$22,626,009, accounting for 34.9% of the City's total 2003 revenue of \$64,812,636. Property taxes of \$6,475,426 account for 9.9% of total revenues. Charges for Services of \$14,425,718 account for 22.3% of total revenues. It should be noted that this revenue category includes revenue from the City's triennial Street Lighting and Tree Maintenance special assessments of approximately \$4.0 million. These assessments are intended to fund the operating expenses of these two programs and were assessed to all City property owners and certified to the County Auditor for collection in equal amounts in 2004, 2005 and 2006. Unrestricted Grants and Entitlements of \$17,076,027 account for 26.3% of total revenue. It should be noted that this category includes revenue from Estate Taxes, which, as explained previously, includes an extraordinary payment of approximately \$12 million that the City does not reasonably anticipate recurring in future years. All other revenue of \$4,209,456 accounts for the remaining 6.6% of the City's 2003 revenue. The City monitors its sources of revenue very closely for fluctuations throughout the year, especially income tax.

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During 2003, City expenditures continued to be dominated by its three largest departments, Police, Fire and Public Works. These three departments account for approximately 63.7% of the City's total 2003 program expenditures of \$46,256,475. Expenditures for Security of Persons and Property (primarily the City's Police and Fire Departments) accounted for 43.0% of the City's 2003 expenditure total. Expenditures for Sanitation and Sewer Services (9.1%), Street Maintenance (5.9%) and other Public Works activities (5.7%) accounted for 20.7% of the City's 2003 expenditure total. The next largest expenditure category was General Government, which accounted for 14.5% of the City's expenditure total. 11.1% of City expenditures were for Housing and Development activities (building and housing inspection, planning, economic development and neighborhood revitalization activities) while expenditures for Leisure Time Activities (primarily recreation and parks maintenance activities) account for 8.6% of total expenditures. Public Health and Interest and Fiscal Charges account for the remaining 2.1% of the City's total expenditures for 2003. For the most part, City expenditures closely paralleled inflation during 2003 however it should be noted that the ever-increasing cost of providing employee health care negatively impacted the 2003 budget. This trend is expected to continue into the future.

The City's Funds

Governmental Funds

As noted earlier, The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Information about the City's major governmental funds starts on page 16. 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 the City's net resources available for spending at the end of the fiscal year. Governmental funds use the modified accrual basis of accounting to account for their assets, liabilities, revenues and expenditures.

As of December 31, 2003, the City's governmental funds reported combined ending fund balances of \$42,008,862 of which \$31,937,983 constitutes unreserved fund balances. The City's unreserved fund balance is available for spending at the City's discretion, subject to contractual or legal constraints. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchases of the prior period or ongoing appropriations. As of December 31, 2003, \$10,070,879 of the total governmental fund balance was reserved for purchase commitments or capital project appropriations.

All governmental funds had total revenues and net other financing sources of \$75,732,695 and expenditures of \$48,752,562 resulting in an operating surplus of \$26,980,133. This surplus is primarily the result of the extraordinary amount of Estate and Income Taxes that were received by the City during 2003 and discussed earlier.

The General Fund is the primary operating fund of the City. As of December 31, 2003, the total fund balance of the General Fund was \$6,861,841, of which \$493,249 (7.7%) was reserved and \$6,368,592 (92.3%) was unreserved. As a measure of the General Fund's liquidity and the City's ability to react to unanticipated economic events, it may be useful to compare the unreserved fund balance to total fund expenditures. As of December 31, 2003 the City's unreserved fund balance was equal to 15.9% of its total operating 2003 expenditures of \$33,422,570 plus its transfers to other funds of \$6,615,606.

During 2003, the fund balance of the General Fund decreased by \$2,116,544. This decrease is directly related to the City's handling of the extraordinary income tax revenue that was received during 2003. As was noted earlier, early in 2003, the City received an unprecedented income tax payment of approximately

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\$4.6 million. As the City considered this to be a one-time windfall, it chose to use the revenue for one-time projects that would have a long-term, beneficial impact upon the City and its tax base. The City used the revenue as follows:

- Transferred \$750,000 to the newly established Economic Development Special Revenue Fund. The purpose of the fund is to provide seed money for the development of projects that will enhance the City's tax base.
- Transferred \$1.68 million to the debt service fund to retire the City's short term note that was issued to refinance the City's liability to the Ohio Police and Firefighter's Pension Fund for unfunded past service credit granted to the City's safety forces when the funds were established in the late 1960's. This resulted in a \$250,000 budgetary savings as a result of not having to make the debt service payment that was scheduled for 2003. This money was transferred to the newly established Economic Development Fund to increase its start-up balance to \$1.0 million.
- Paid the Regional Income Tax Agency its collection fee of \$137,600 pursuant to the City's contract with it for income tax collection services.
- Transferred the remaining \$2.02 million to the City's Capital Projects Fund for future use.

Had the extraordinary income tax not been received and used in this manner, the 2003 reduction in the General Fund Balance of \$2.3 million would become a decrease of \$247,278.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public, the budget is adopted at fund level by City Council. Within each fund, appropriations may be transferred between line items or departments with the approval of the Mayor or Chief Administrative Officer and the respective department head. Council must approve any revisions in the budget that alter the fund totals or require the transfer of moneys between funds. All recommendations for budget revisions are reviewed by the Finance Committee of City Council before being presented to the whole Council for consideration for enactment by ordinance. The most significant budgeted fund is the General Fund. During the course of 2003, the City used this process to amend its General Fund budget on three occasions. The difference between the General Fund's original and final amended budget were minor in nature. The Chief Administrative Officer and the Finance Department monitor all departmental budgets closely to monitor compliance with allocated budgets and provide monthly reports to City Council depicting monthly and year-to-date activity.

The original budgeted revenues for the General Fund were \$34,078,844; the final budgeted revenues were \$39,965,364. The City's ending unencumbered fund balance, computed using on a modified cash basis of accounting, was \$8,150,662 which was \$1,363,464 greater than the final budgeted fund balance of \$6,787,198. In recognition of the importance of maintaining an adequate level of fund equity, the City Council adopted a fund balance policy for the General Fund. While not legally binding, City Council established the following goal:

The City should, as a financial goal, endeavor to carry forward at the beginning of each fiscal year an unobligated General Fund balance of not less than twenty percent of budgeted operating fund expenditures, excluding recreation activity expenditures. Any amount in excess of twenty percent shall become available for transfer to the Capital Fund.

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The City's ending budgetary fund balance was the equivalent of 24% of its general operating budget, excluding recreation expenditures, thereby meeting this goal. Council chose not to transfer any of portion of the fund balance to the Capital Fund in order to make additional resources available to the 2004 budget.

The City Council also adopted a fund balance policy for the Capital Fund. While not legally binding, City Council established the following goal:

The City should, as a financial goal, endeavor to begin each fiscal year with an annual Capital Fund unobligated fund balance that, at a minimum, is equal to the current year's Capital Fund debt funding requirement plus the total of all Estate Tax revenue received by the City and credited to the General Capital Fund in the prior year.

The City also met this financial goal at the end of 2003.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the City of Shaker Heights had \$49,027,653 million invested in land, buildings, and equipment.

Table 4 shows fiscal 2003 balances of Capital Assets as compared to 2002:

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

	Governmental	
	Activities	
	2003	2002
Land	\$15,784,644	\$15,257,517
Buildings and Improvements	8,584,542	8,741,676
Infrastructure		
Street	9,648,022	9,699,845
Water Lines	471,231	398,810
Sanitary and Storm Sewer System	3,328,869	3,255,998
Traffic Signals System	1,851,725	1,841,634
Construction in Progress	3,003,122	1,199,367
Total Capital Assets	\$49,027,653	\$46,186,214

Total capital assets of the City as of December 31, 2003 were \$2,841,439 greater than 2002. The most significant increases in the City's capital assets came in land and construction in progress. These changes were due to the property acquired for and the improvements completed on the Sussex and Shaker Towne Centre redevelopment projects. The City is committed to a long-term goal of not only meeting its infrastructure, equipment and facility needs, but also satisfying those needs in a continued

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high quality manner. To meet this need, the City has developed a five-year capital improvement plan that is updated and revised annually.

With regards to the infrastructure, the City's Public Works Department maintains a comprehensive listing of all the streets, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Public Works Director evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or cracksealed and in the case of concrete roads, either replaced or repaired. After approval from Council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the current operating funds of the City. In the case of a major resurfacing project on two of the main arteries in the City of Shaker Heights, as mentioned before, the City has effectively pursued external sources of grant funding to finance up to eighty percent of the project thereby reducing the total amount to be funded by the City. The City also was awarded a \$4.6 million, twenty year, interest-free loan by the Ohio Public Works Commission to finance the relining or replacement of ten waterlines in the City.

Debt

At December 31, 2003, the City of Shaker Heights had \$23,701,072 in debt and compensated absences outstanding, of which \$5,201,483 is due within one year. Table 4 summarizes the City's debt outstanding as of December 31, 2003 and 2002:

Table 4
 Outstanding Debt at Year End

	2003	2002
General Obligation Bonds	\$15,370,000	\$0
Urban Renewal Temporary Bonds	2,215,000	12,825,000
Bond Anticipation Notes	2,710,000	4,975,000
OPWC Loans	464,312	504,687
Compensated Absences	2,941,760	2,701,690
Total	\$23,701,072	\$21,006,377

State statutes limit the total amount of general obligation debt that a city may issue to 10 1/2% of total assessed valuation and limits the total amount of general obligation debt that a city may issue without voter approval to 5 1/2% of total assessed valuation. At December 31, 2003, the City's overall legal debt margin was \$85,325,017 and its unvoted debt margin was \$43,558,805.

During 2003, the City issued a \$15.37 million general obligation bond to fund its urban renewal projects in the Shaker Towne Centre and Sussex Districts of the City. The City was awarded an Aa1 rating by Standard & Poors and Fitch Rating Services. The Shaker Towne Centre project includes the construction of a new firehouse to replace the fire station that is currently located at City Hall. This issue will be retired using tax increment financing (TIF). Payments in lieu of taxes made by the property owners will be used to retire this debt. The City also issued a \$2.215 million urban renewal temporary bond for this project

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Unaudited

during construction. Of this amount, \$1,220,000 will be retired from project income; the remaining \$995,000 will be funded by payments in lieu of taxes.

The \$2.71 million general obligation note was issued to refinance a note issued to finance the acquisition of two fire trucks (originally issued in 2000 and 2002), an ambulance (originally issued in 2001), public works equipment (originally issued in 2002), replacement of roofs at the Service Center, Police-Court Building and Thornton Park Ice Arena (issued in 2002) and for the renovation of the former Moreland School Building to serve as the new main branch of the Shaker Heights Public Library (originally issued in 1992). With the exception of the library improvements, the City plans to retire this portion of the note over the next two to four years with City funds. The library improvements will be retired over the next eight years from the proceeds of the City's lease with the Shaker Heights Public Library.

The Ohio Public Works Commission (OPWC) issued the City a twenty-year, interest free loan in 1994 for the Shelburne Road Sanitary Sewer Project. This loan is being repaid by the City using revenue from the sewer system user fee assessed to all system users in the City. The City has been awarded by the OPWC a \$4.1 million, twenty-year, interest free loan to replace or reline water lines serving the City. As of December 31, 2003 the City has not drawn on this loan but anticipates that construction on this project will begin in 2004 and be completed during 2005. It is anticipated that semiannual payments on this loan will begin in 2006.

More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

Current Related Financial Activities

The City of Shaker Heights is both strong financially and well managed, as evidenced by the Aa1 bond rating awarded the City by Standard and Poors and Fitch Rating Services. The City is one of the few suburbs in Ohio to have been awarded this prestigious rating. It is the result of the City's history of creative planning and the combined cooperation of the elected officials, professional administration and employees and, most importantly, its residents. In addition, the City's systems of budgeting and internal controls are well regarded. The City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Shaker Heights with full disclosure of the financial position of the City.

The City of Shaker Heights has committed itself to financial excellence and had a history of doing just that. The City has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 1996, the year of the City's second Comprehensive Annual Financial Report.

Contacting the City of Shaker Heights ' Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances 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 the Finance Director Frank J. Brichacek, at the City of Shaker Heights, 3400 Lee Road, Shaker Heights, Ohio 44120, and (216) 491-1420.

City of Shaker Heights, Ohio
Statement of Net Assets
December 31, 2003

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$54,975,870
Cash With Fiscal Agent	26,591
Accounts Receivable	907,304
Accrued Interest Receivable	305,291
Intergovernmental Receivable	2,204,939
Inventory of Supplies	175,949
Prepaid Items	178,078
Special Assessments Receivable	4,632,749
Lease Receivable	2,157,770
Restricted Cash and Cash Equivalents	102,140
Taxes Receivable	14,242,780
Nondepreciable Capital Assets	18,787,766
Depreciable Capital Assets, Net	30,239,887
Total Assets	128,937,114
Liabilities	
Accounts Payable	4,201,568
Accrued Wages	2,389,499
Compensated Absences	1,747,282
Claims Payable	1,183,312
Deferred Revenue	7,217,522
Unearned Revenue	54,267
Matured Bonds and Interest	26,591
Notes Payable	4,925,000
Notes and Bonds Interest Payable	98,732
Notes and Bonds Premium Payable	313,997
Long Term Liabilities:	
Due Within One Year	276,483
Due Within More Than One Year	18,499,589
Total Liabilities	40,933,842
Net Assets	
Invested in Capital Assets, Net of Related Debt	28,268,341
Restricted For:	
Capital Projects Funds	29,801,324
Other Purposes	3,533,961
Unrestricted	26,399,646
Total Net Assets	\$88,003,272

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio

Statement of Activities For the Year Ended December 31, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Security of Persons and Property:					
Police	\$11,365,210	\$321,302	\$30,434	\$5,010	(\$11,008,464)
Fire	7,773,319	421,295	8,597	9,036	(7,334,391)
Other	747,403	2,321,628	2,036,714	30,527	3,641,466
Public Health Services	633,129	72,274	107,922	0	(452,933)
Leisure Time Activities:					
Culture and Recreation	3,313,964	2,109,957	0	0	(1,204,007)
Parks and Public Land Maintenan	658,592	0	0	0	(658,592)
Housing and Community Develop	5,149,752	4,436,507	93,676	0	(619,569)
Sanitation and Sewer Services	4,212,867	1,582,048	0	1,169	(2,629,650)
Street Maintenance and Repair	2,742,224	23,571	0	0	(2,718,653)
Public Works - Other	2,645,335	718,971	9,087	0	(1,917,277)
General Government:					
Legislative and Executive	4,815,453	585,003	1,031,532	0	(3,198,918)
Judicial System	1,894,600	1,833,162	260,218	562	199,342
Interest and Fiscal Charges	304,627	0	0	0	(304,627)
Total Governmental Activities	\$46,256,475	\$14,425,718	\$3,578,180	\$46,304	(28,206,273)
General Revenues					
Property Taxes Levied for:					
General Purposes				6,082,887	
Police and Fire Pension				392,539	
Municipal Income Taxes Levied for:					
General Purposes				22,626,009	
Grants and Entitlements not Restricted to Specific Programs				17,076,027	
Interest Earnings				584,972	
Total General Revenues				46,762,434	
Change in Net assets				18,556,161	
Net Assets Beginning of Year - (See Note 3)				69,447,111	
Net Assets End of Year				\$88,003,272	

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio
Balance Sheet
Governmental Funds
December 31, 2003

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$8,946,911	\$33,345,020	\$8,098,032	\$50,389,963
Cash With Fiscal Agent	0	0	26,591	26,591
Taxes Receivable	13,772,036	0	470,744	14,242,780
Accounts Receivable	430,058	0	477,246	907,304
Special Assessments Receivable	1,470	0	4,631,279	4,632,749
Accrued Interest Receivable	305,291	0	0	305,291
Lease Receivable	233,656	1,924,114	0	2,157,770
Interfund Receivable	110,000	172,120	1,500	283,620
Intergovernmental Receivable	1,130,525	557,965	516,449	2,204,939
Inventory of Supplies	163,836	0	0	163,836
Prepaid Items	18,014	0	48,593	66,607
Restricted Assets:				
Cash and Cash Equivalents	0	102,140	0	102,140
Total Assets	<u>\$25,111,797</u>	<u>\$36,101,359</u>	<u>\$14,270,434</u>	<u>\$75,483,590</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$2,971,758	\$700,518	\$419,849	\$4,092,125
Accrued Wages	1,587,405	60	724,625	2,312,090
Compensated Absences	1,389,655	0	144,205	1,533,860
Interfund Payable	192,500	0	282,120	474,620
Deferred Revenue	12,108,638	2,101,314	5,606,563	19,816,515
Unearned Revenue	0	54,267	0	54,267
Matured Bonds and Interest	0	0	26,591	26,591
Notes Payable	0	4,925,000	0	4,925,000
Notes and Bonds Interest Payable	0	98,732	0	98,732
Notes and Bonds Premium Payable	0	140,928	0	140,928
Total Liabilities	<u>18,249,956</u>	<u>8,020,819</u>	<u>7,203,953</u>	<u>33,474,728</u>
Fund Balance				
Reserved for Encumbrances	493,249	2,773,283	535,618	3,802,150
Reserved for Appropriations	0	6,268,729	0	6,268,729
Undesignated, Reported in:				
General Fund	6,368,592	0	0	6,368,592
Special Revenue Funds	0	0	6,204,892	6,204,892
Debt Service Funds	0	0	325,971	325,971
Capital Projects Funds	0	19,038,528	0	19,038,528
Total Fund Balances	<u>6,861,841</u>	<u>28,080,540</u>	<u>7,066,481</u>	<u>42,008,862</u>
Total Liabilities and Fund Balances	<u>\$25,111,797</u>	<u>\$36,101,359</u>	<u>\$14,270,434</u>	<u>\$75,483,590</u>

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2003

Total Governmental Fund Balances	\$42,008,862
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.	
Nondepreciable Capital Assets	\$18,787,766
Depreciable Capital Assets, Net	<u>30,239,887</u>
Total	49,027,653
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
	(15,370,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
OPWC Loan	(464,312)
Note Premiums	(173,069)
Compensated Absences	<u>(2,941,760)</u>
Total	(3,579,141)
Accounts payable includes a contractually required payment not expected to be paid with expendable available financial resources and therefore not reported in the funds.	
	(33,528)
As internal service fund is used by management to charge the costs of insurance, worker's compensation, printing, supplies and maintenance and repair of the City's fleet of vehicles to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	
	3,350,433
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent Property Taxes	555,102
Income Taxes	3,709,495
Intergovernmental	3,350,131
Special Assessments	4,587,772
Charges for Services	<u>396,493</u>
Total	<u>12,598,993</u>
Net Assets of Governmental Activities	<u><u>\$88,003,272</u></u>

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Municipal Income Taxes	\$22,649,166	\$0	\$0	\$22,649,166
Property Taxes	5,997,592	0	387,036	6,384,628
State Levied Shared Taxes	1,584,254	14,706,823	844,791	17,135,868
Intergovernmental	1,202,622	30,527	2,391,335	3,624,484
Charges For Services	4,303,921	0	1,655,480	5,959,401
Fines and Forfeitures	625,929	0	402,516	1,028,445
Interest Earnings	207,114	161,374	122,145	490,633
Special Assessment	0	0	1,347,023	1,347,023
Fees, Licenses and Permits	487,677	0	0	487,677
Other Revenue	830,345	225,756	26,200	1,082,301
Total Revenues	37,888,620	15,124,480	7,176,526	60,189,626
Expenditures				
Current:				
Security of Persons and Property:				
Police	8,123,094	0	3,023,892	11,146,986
Fire	5,814,724	3,944,196	1,076,004	10,834,924
Other	180,588	46,955	509,453	736,996
Public Health Services	532,022	0	97,220	629,242
Leisure Time Activities:				
Culture and Recreation	3,047,903	32,095	0	3,079,998
Parks and Public Land Maintenance	606,553	16,020	0	622,573
Housing and Community Development	3,809,790	612,611	1,225,654	5,648,055
Sanitation and Sewer Services	2,829,738	616,762	627,314	4,073,814
Street Maintenance and Repair	806,687	726,429	1,054,970	2,588,086
Public Works - Other	1,710,310	312,627	478,350	2,501,287
General Government:				
Legislative and Executive	4,321,318	91,787	260,610	4,673,715
Judicial System	1,639,843	0	232,041	1,871,884
Debt Service:				
Principal Retirements	0	0	40,375	40,375
Interest and Fiscal Charges	0	272,892	31,735	304,627
Total Expenditures	33,422,570	6,672,374	8,657,618	48,752,562
Excess of Revenues Over/ (Under) Expenditures	4,466,050	8,452,106	(1,481,092)	11,437,064
Other Financing Sources (Uses)				
Proceeds from the Sale of Public Debt:				
Permanent Bonds	0	15,370,000	0	15,370,000
Note Premiums	0	173,069	0	173,069
Transfers - In	33,012	4,469,706	4,834,576	9,337,294
Transfers - Out	(6,615,606)	(233,012)	(2,488,676)	(9,337,294)
Total Other Financing Sources (Uses)	(6,582,594)	19,779,763	2,345,900	15,543,069
Net Change in Fund Balances	(2,116,544)	28,231,869	864,808	26,980,133
Fund Balances Beginning of Year Restated (See Note 3)	8,978,385	(151,329)	6,201,673	15,028,729
Fund Balances End of Year	\$6,861,841	\$28,080,540	\$7,066,481	\$42,008,862

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds \$26,980,133

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

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

Capital Asset Additions	\$ 4,991,153	
Current Year Depreciation	<u>(1,724,032)</u>	
Total		3,267,121

The issuance of long term bonds provides current financial resources to the funds and therefore are reported in the funds. (15,370,000)

The net effect of various miscellaneous transactions involving the disposal of Capital Assets is a decrease of Net Assets. (425,682)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 40,375

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	(240,070)	
Contractual Services	<u>(33,528)</u>	
Total		(273,598)

The internal service funds used by management to charge the costs of insurance, worker's compensation, printing, supplies and maintaining and repairing the City's fleet of vehicles to individual funds that are not reported in the city-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net expense of the internal service fund is allocated among the governmental activities. (17,790)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	90,798	
Income Taxes	(23,157)	
Intergovernmental	(59,841)	
Special Assessments	4,419,762	
Charges for Services	<u>101,109</u>	
Total		4,528,671

Note premiums in the governmental funds increase long-term liabilities in the statement of net assets. (173,069)

Change in Net Assets of Governmental Funds \$ 18,556,161

The notes to the financial statements are an integral part of this statement.

CITY OF SHAKER HEIGHTS, OHIO

Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$6,009,200	\$6,009,200	\$5,997,592	(\$11,608)
Municipal Income Taxes	18,866,900	23,764,900	24,215,535	450,635
Other Local Taxes	55,000	60,000	54,350	(5,650)
State Levied Shared Taxes	1,182,094	1,561,000	1,532,970	(28,030)
Intergovernmental	1,107,800	1,213,600	1,251,263	37,663
Charges for Services	4,413,900	4,453,650	4,427,714	(25,936)
Fees, Licenses and Permits	377,350	485,450	631,653	146,203
Investment Earnings	725,000	725,000	487,677	(237,323)
Fines and Forfeitures	625,000	625,500	613,098	(12,402)
Other Revenues	711,600	855,300	819,281	(36,019)
Total Revenues	<u>34,073,844</u>	<u>39,753,600</u>	<u>40,031,133</u>	<u>277,533</u>
Expenditures				
Current:				
Security of Persons and Property	14,130,600	14,130,600	13,923,623	206,977
Public Health Services	511,900	537,900	532,090	5,810
Culture and Recreation	3,260,800	3,260,800	3,152,857	107,943
Parks and Public Lands Maintenance	605,700	605,700	596,419	9,281
Housing and Community Development	4,271,000	4,240,300	3,806,583	433,717
Sanitation and Sewer Services	2,818,500	2,818,500	2,850,910	(32,410)
Street Maintenance and Repair	706,200	706,200	832,459	(126,259)
Public Works - Other	1,884,300	1,884,300	1,707,639	176,661
Legislative and Executive	4,371,100	4,179,594	4,092,163	87,431
Judicial System	1,666,800	1,666,800	1,605,986	60,814
Total Expenditures	<u>34,226,900</u>	<u>34,030,694</u>	<u>33,100,729</u>	<u>929,965</u>
Excess of Revenues Over Expenditure	<u>(153,056)</u>	<u>5,722,906</u>	<u>6,930,404</u>	<u>1,207,498</u>
Other Financing Sources (Uses)				
Transfers In	5,000	38,200	36,090	(2,110)
Transfers Out	(6,576,900)	(6,619,106)	(6,614,106)	5,000
Advances In	0	173,564	173,527	(37)
Advances Out	(10,000)	(120,000)	(120,000)	0
Total Other Financing Sources (Uses)	<u>(6,581,900)</u>	<u>(6,527,342)</u>	<u>(6,524,489)</u>	<u>2,853</u>
Net Change in Fund Balance	(6,734,956)	(804,436)	405,915	1,210,351
Beginning Cash Fund Balance	8,439,148	8,439,148	8,439,148	0
Prior Year's Reserve For Encumbrances				
Outstanding At December 31	(41,966)	(41,966)	(41,966)	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(805,548)</u>	<u>(805,548)</u>	<u>(652,435)</u>	<u>153,113</u>
Ending Unreserved Cash Fund Balance	<u>\$856,678</u>	<u>\$6,787,198</u>	<u>8,150,662</u>	<u>\$1,363,464</u>
Reserved for Encumbrances - All Budget Years			<u>1,039,800</u>	
Total Cash Fund Balance - December 31			<u>\$9,190,462</u>	

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Governmental Activities - Internal Service Funds
Assets	
Equity In City Treasury Cash	\$4,585,907
Interfund Receivable	191,000
Inventory of Supplies	12,113
Prepaid Items	111,471
Total Assets	4,900,491
Liabilities	
Current Liabilities:	
Accounts Payable	\$75,915
Accrued Wages and Benefits	77,409
Compensated Absences	213,422
Claims Payable	47,000
Total Current Liabilities	413,746
Long-Term Liabilities:	
Self Insurance Claims Payable	1,136,312
Total Liabilities	1,550,058
Net Assets	
Unrestricted	3,350,433
Total Net Assets	\$3,350,433

The notes to the financial statements are an integral part of this statement.

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges For Services	\$1,754,281
Operating Expenses	
Personal Services	950,746
Travel and Education	1,680
Contractual Services	327,029
Materials and Supplies	279,370
Insurance Claims and Expenses	307,585
Total Operating Expenses	1,866,410
Operating Loss	(112,129)
Non Operating Revenues	
Interest Earnings	94,339
Change in Net Assets	(17,790)
Total Net Assets Beginning of Year, Restated	3,368,223
Total Net Assets End of Year	<u>\$3,350,433</u>

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Governmental Activities - Internal Service Funds
Increase (Decrease) In Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received From Interfund Services	\$1,725,681
Cash Payments to Suppliers for Services	(1,021,118)
Cash Payments to Employees	(954,984)
	(250,421)
Cash Flows from Investing Activities	
Interest Earned on Investments	94,339
	(156,082)
Decrease in Cash and Cash Equivalents	
Cash & Cash Equivalents:	
Beginning of Year	4,741,989
End of Year	\$4,585,907
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$112,129)
Adjustments:	
(Increase)/ Decrease in Assets:	
Due From Other Funds	(28,600)
Materials and Supplies Inventory	10,295
Prepaid Items	(109,237)
Increase / (Decrease) in Liabilities:	
Accounts Payable	40,286
Accrued Wages and Benefits	10,751
Compensated Absences	(15,199)
Self Insurance Claims Payable	(46,588)
	(138,292)
Total Adjustments	(138,292)
Net Cash Used for Operating Activities	(\$250,421)

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	Agency Funds
Assets	
Equity Pooled in Cash and Cash Equivalents	\$1,140,987
Cash and Cash Equivalents in Segregated Accounts	449,417
Mortgage Loans Receivable	589,254
Total Assets	<u>\$2,179,658</u>
Liabilities	
Intergovernmental Payable	\$398,276
Deposits Held and Due To Others	1,781,382
Total Liabilities	<u>\$2,179,658</u>

The notes to the financial statements are an integral part of this statement.

City of Shaker Heights, Ohio
Notes to the Basic Financial Statements
December 31, 2003

Note 1 – Description of the City and Reporting Entity

The City of Shaker Heights (the City) was incorporated under the laws of the State of Ohio in 1912. The City has operated as a home rule municipal corporation under its own charter since the charter's adoption by the residents in 1931. The charter provides that the City operate under the Mayor/Council form of government, with the legislative power vested in the seven-member Council. The Mayor is the Chief Executive Officer of the City. The Mayor appoints the Chief Administrative Officer of the City.

Reporting Entity

The City provides various services including police and fire protection, public health, parks and recreation, street maintenance, planning and zoning, community preservation and development and other general governmental services. None of these services are provided by legally separate organizations; therefore, these operations are included in the primary government.

The City is a member of the Northeast Ohio Public Energy Council ("NOPEC"). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB Statement No. 14), the financial reporting entity consists of the City (the primary government), as well as its component units. Component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability of the primary government to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the foregoing criteria, these financial statements do not include any component units.

Note 2 - Summary of Significant Accounting Policies

The financial reporting practices of the City conform to generally accepted accounting principles as applicable to local governments. 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 after November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

City of Shaker Heights, Ohio
Notes to the Basic Financial Statements
December 31, 2003

A. Basis of Presentation

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

Government-Wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses.

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

General Fund – To account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of major capital facilities.

City of Shaker Heights, Ohio
Notes to the Basic Financial Statements
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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. The City has no enterprise funds.

Internal Service Funds - To account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

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 thus do not involve the measurement of the results of operations.

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, except for fiduciary funds. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reports on the financial statements. Government-wide financial statements as well as fiduciary funds are prepared using the accrual basis of accounting. Proprietary funds also use the accrual basis of accounting.

Governmental and expendable trust funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. 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.

Revenue Recognition - In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: municipal income taxes withheld by employers, inheritance taxes, sewerage surcharges, investment earnings, fines and forfeitures and state levied locally shared taxes (including motor vehicle fees). Reimbursement for federally funded grant projects are accrued as revenue at the time the eligible expenditures are made. Property taxes and special assessments though measurable are not available soon enough in the subsequent year to finance current period obligations. Income taxes and sewerage surcharges are considered to be measurable when billed, however, these revenue

City of Shaker Heights, Ohio
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sources are not considered to be available until they have been received by the collecting agency. Accordingly, these items are recorded and revenue recognition is deferred until they become available.

All other revenue sources, including licenses and permits, certain charges for services and non-employer withheld income taxes are recorded as revenue when received in cash because they generally are not measurable until actually received by the City.

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

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

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

Expenses/Expenditure Recognition 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. Most expenditures are measurable and are recorded when the related liability is incurred except for unmatured principal and interest on general long-term debt which is recognized when paid. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments that are both readily convertible to known amounts of cash, with a maturity of three months or less when purchased to be cash equivalents.

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

During fiscal year 2003, investments were limited to U.S. Treasury Notes and Bonds, non-negotiable certificates of deposit and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on, quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$207,114.

Investments with an original maturity of three months or less and investments of the cash management pool are presented on the financial statements as cash equivalents.

F. Prepaid Items

City of Shaker Heights, Ohio
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Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid item at the time of the purchase and the expenditure/expense in the year in which the services are consumed.

G. Inventory

Inventory is stated at weighted average cost. The cost of inventory items is recorded as expenditures in the governmental funds types when purchased and expenses in the proprietary funds types when used. Obsolete inventory has not been valued for financial reporting purposes.

H. 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 from one thousand to ten thousand dollars. The City's infrastructure consists of curbs, sidewalks, sewers, streets, and other general capital assets that are immovable and of value only to the City. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	10 to 60 years
Equipment	5 to 30 years
Improvements	10 to 50 years
Infrastructure	40 to 100 years

I. Interfund Balances

During the course of normal operations, the City had numerous transactions between funds, most of which are in the form of transfers of resources to provide services or to service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The City also advances money between funds throughout the year. To the extent that certain transactions between funds had not been paid or received as of December 31, 2003, interfund amounts receivable or payable have been recorded as Due To/Due From Other Funds. Interfund balance amounts are eliminated in the Statement of Net Assets.

J. Compensated Absences

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 16, the City has accrued a liability for compensated absences (vacation and sick leave) at December 31, 2003 along with any

City of Shaker Heights, Ohio
Notes to the Basic Financial Statements
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salary-related benefit liabilities associated with the payment of compensated absences. The City uses the vesting method to calculate this liability. The entire compensated absence liability is reported on the government-wide financial statements.

K. 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 and long-term loans are recognized as a liability on the fund financial statements when due.

L. 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 and appropriations.

M. 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.

N. Interfund Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. 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 type of transaction occurred during 2003.

P. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles

City of Shaker Heights, Ohio
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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.

Q. 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 charges for services for sewer, golf course, and fitness center programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

R. Budgetary Process

Tax Budget – A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

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

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. For all operating funds except capital projects and trust and agency funds, an annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended during the year as new information becomes available provided that total appropriations do not exceed estimated resources as certified. Trust and Agency Funds are deemed to be appropriated for their intended purpose upon receipt. The City appropriates Capital Project Funds on a project by project basis.

For all funds, except capital projects funds, unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation. Capital projects are appropriated on a project basis. Project appropriation balances lapse upon completion of the project; therefore their unencumbered appropriation balances are carried over to the subsequent fiscal year.

State law mandates that a fund's total obligations may not exceed the total amount appropriated for the fund. For all funds except fiduciary and capital project funds, the City maintains its legal level of budgetary control at the fund level. For fiduciary funds, the legal level of budgetary control is maintained at the fund level. For capital project funds, the City maintains its legal level of budgetary control at the project level. Management control is exercised at the department level within each fund. Administrative control is maintained through the establishment of more detailed line item budgets. The Mayor and Chief Administrative Officer are authorized to transfer budgeted amounts between departments within a fund so long as the total amount appropriated for the fund is not exceeded.

As provided by the City's Charter and State Law, amendments to the 2003 appropriation ordinance were approved by City Council. These amendments were deemed to be immaterial in nature and are reflected in

City of Shaker Heights, Ohio
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the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the Year Ended December 31, 2003.

Note 3 - Restatement of Prior Year Fund Balances

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

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

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

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

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

The City has also implemented a new capital asset policy increasing the threshold of capital assets from \$1,000 to \$10,000.

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

	General	Capital Projects	Nonmajor	Total
Fund Balances, December 31, 2002 as				
Previously Reported	\$9,108,675	\$(9,734)	\$5,289,030	\$14,387,971
Fund Reclassifications	807,643	-0-	912,643	1,720,286
Reclass of Capital Assets	(937,933)	-0-	-0-	(937,933)
Properly Recording Interest	-0-	(141,595)	-0-	(141,595)
Restated Fund Balance, December 31, 2002	<u>\$8,978,385</u>	<u>\$(151,329)</u>	<u>\$6,201,673</u>	<u>15,028,729</u>

City of Shaker Heights, Ohio
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	General	Capital Projects	Nonmajor	Total
GASB 34 Adjustments:				
Capital Assets				46,186,214
Long-Term (Deferred) Assets				8,070,322
Long-Term Liabilities				(3,206,377)
Internal Service Funds				3,368,223
Governmental Activities Net Assets, December 31, 2002				\$69,447,111
				Internal Service
Governmental Activities:				
Net Assets, December 31, 2002 as Previously Recorded				\$3,953,223
Fund Reclassification				(586,553)
Miscellaneous				1,684
Net Assets December 31, 2002 Restated				\$3,368,223

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund equity on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts and disbursements. The Statements of Revenue, Expenditure, Encumbrance and Changes in Fund Balance-Budget (Non – GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results to the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash or encumbered (budget) as opposed to when susceptible to accrual (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments reported at fair value (GAAP) rather than cost (budget).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$2,116,544)
Net Adjustment for Revenue Accruals	(472,546)
Fair Value Adjustment for Investments 2002	235,560
Fair Value Adjustment for Investments 2003	243,551
Net Adjustment for Expenditure Accruals	2,861,293
Encumbrances	(345,399)
Budget Basis	\$405,915

City of Shaker Heights, Ohio
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Note 5: Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets as "Cash and Cash Equivalents". Ohio law requires that deposits be placed in eligible banks or building and loan associations located in Ohio. Any public depository in which the City places a deposit must pledge as collateral eligible securities of aggregate face value equal to 110% of the excess of the deposit that is not insured by the Federal Deposit Insurance Corporation. At year-end, the carrying amount of the City's deposits was \$1,819,135 and the bank balance was \$2,775,857. The bank balance covered by federal deposit insurance was \$577,122 and the remaining \$2,198,735 was covered by collateral held by third party trustees in collateral pools in the name of the respective depository institutions securing all public funds on deposits pursuant to Section 135.18 of the Ohio Revised Code. The statutes further require the classification of monies held by the City into three categories, active, inactive, and interim deposits. Active monies are those required to be kept in a cash or near cash status for immediate use by the City. Such monies must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand. Inactive monies are those which are not required for use within the current two year period of designation of depositories. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of the depositories.

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

A reconciliation between the classification of cash and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Fair Market Value of Investments
GASB Statement 9	\$56,695,005	\$0
Investments:		
Repurchase Agreements	(2,668,000)	2,668,000
U.S. Treasury Bill	(2,996,152)	2,996,152
U.S. Treasury Notes	(49,211,718)	49,211,718
GASB Statement 3	<u>\$1,819,135</u>	<u>\$54,875,870</u>

A. Investments

The City's investment policies are governed by the City's charter and ordinances. The charter authorizes the City to invest in the following securities:

1. Bonds or notes which are issued by and are obligations of the City of Shaker Heights, Ohio.
2. Bonds, notes, certificates of indebtedness, treasury bills or other securities issued by and constituting direct obligations of, or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest thereon.
3. Bonds or notes which are issued by and are the obligations of the State of Ohio, provided that such bonds or notes have a rating assigned to them by Standard and Poors Corporation or Moody's Investor Services, Inc. which rating:
 - a. As to bonds, is one of the two highest rating categories that may be assigned; and
 - b. As to notes, is the highest rating category that may be assigned.

In order to be eligible investments under points (2) or (3), there must be no outstanding default for the payment

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of the principal or interest on such securities and the securities must mature or be subject to redemption at the option of the City within five years of the date the City purchased such security.

In addition, effective September 27, 1996 State law specifically prohibits investment in stripped principal or interest obligations, reverse repurchase agreements and derivatives. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. All investments must be purchased with the expectation that the investment will be held to maturity.

Written repurchase agreements in the securities listed above are permitted provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to the market daily. The term of the agreement may not exceed thirty days.

Payment for investments may be made only upon delivery of the securities representing the investment to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Except for non-participating investment contracts, investments are reported at fair value. Fair value is the investment's quoted market price at December 31, 2003. Non-participating investment contracts such as repurchase agreements and non-negotiable certificates of deposits are reported at cost.

B. Risk Categorization

Governmental Accounting Standards Board (GASB) Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," requires the City to categorize its investments into one of three credit risk categories. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

<u>Type of Investment</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
	\$49,211,718	\$ -	\$49,211,718
U.S. Government Securities		0-	
Repurchase Agreements	<u>-0-</u>	5,664,152	5,664,152
Total Investments	<u>\$49,211,718</u>	<u>\$5,664,152</u>	<u>\$54,875,870</u>

Note 6 - Receivables

Receivables at December 31, 2003, consisted primarily of municipal income taxes, property and other taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

Special assessments expected to be collected in more than one year amount to \$2,721,858 which is reflected in the Street Lighting and Tree Maintenance Special Assessment Special Revenue Funds. At December 31, 2003 the amount of delinquent special assessments was \$148,162.

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. The City receives property taxes from the following sources:

City of Shaker Heights, Ohio
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Real Estate - Residential, commercial and public utility real property is taxed at 35% of market value.

Tangible Personal Property - The true value of personal property is based upon composite annual allowances and is assessed at 88%, except for the following:

- | | |
|---------------------------------------|--|
| Electric Utility Production Equipment | - Assessed at 100% of True value (50% of cost). |
| Rural Electric Companies | - Assessed at 50% of true value. |
| Railroads | - Assessed at 25% of true value. |
| Telephone Utility | - Effective in tax year 1995, all interexchange telephone personal property is assessed at 25% of true value. Local exchange telephone personal property added to the tax roles during tax year 1995 and thereafter is assessed at 25% of true value; existing personal property is assessed at 88% of true value. |

Real property taxes (other than public utility property) are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by the Cuyahoga County Auditor at 35% of the current market value, and reappraisal of all property is required every six years with a triennial update. The last reappraisal was completed for tax year 2000 affecting collections beginning in 2001.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Taxes not paid become delinquent after December 31 of the year in which payable. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Taxpayers become liable for tangible personal property taxes (other than public utility property) on January 1 of the current calendar year based on tax rates determined in the preceding year and assessed values determined as of the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Since 1992, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date. The majority of public utility tangible personal property currently is assessed at 35% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

While property tax rates are levied by the City, the Cuyahoga County Auditor is statutorily responsible for administering and collecting real property taxes on the behalf of all taxing authorities in the county, including the City.

The assessed values per category applicable to the 2003 and 2002 collections are as follows:

City of Shaker Heights, Ohio
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	Tax Collection/Valuation Year	
	2003/2004	2002/2003
Real Estate (other than public utility)	\$806,459,520	\$706,996,220
Public Utilities Real and Tangible Personal Property	15,799,910	15,306,100
Tangible Personal Property (other than public utility)	<u>13,064,821</u>	<u>16,864,140</u>
Total Valuation	<u>\$835,324,251</u>	<u>\$739,166,460</u>

The tax rate levied to finance the City's services for the years ended December 31, 2002 and December 31, 2002, was \$9.90 per \$1,000 of real estate and personal property valuation.

The receivable and related deferred revenue does not include property tax entitlements in the amount of \$992,576 that the City expects to receive in 2004 from the State of Ohio to finance 2004 operations. These entitlements are based upon 2003 local property tax relief granted by the State to qualified classes of real property owners in the form of Homestead Exemptions and tax rollbacks.

B. Municipal Income Taxes

The City income tax is applied to the gross salaries, wages and other personal service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. The tax rate was 1-3/4% of earnings for 2003 and 2002. Residents of the City are granted a credit up to one-half of 1% for taxes paid to other municipalities. A receivable totaling \$6,466,435 has been recorded in the General Fund. This total includes \$2,756,940 for the portion of taxes that is due in December, but not received until January of the following year, and \$3,709,495 which has been billed, but is not available in the current period.

C. Intergovernmental Receivable

A summary of intergovernmental receivable follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local Government Contracts	\$215,503
Auto Registration Fees	11,102
Gas Tax	269,388
Liquor Tax	2,325
Estate Tax	557,965
Local Government – State	190,046
Local Government – Country	739,319
Federal Grants	212,750
Other	<u>6,541</u>
Total	<u><u>\$2,204,939</u></u>

Note 7 - Capital Assets

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

City of Shaker Heights, Ohio
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	Balances <u>12/31/2002</u>	Additions	Deletions	Balances <u>12/31/2003</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$15,257,517	\$527,127	\$-0-	\$15,784,644
Construction in Progress	<u>199,367</u>	<u>2,883,045</u>	<u>79,290</u>	<u>3,003,122</u>
Total Capital Assets not being Depreciated	<u>15,456,884</u>	<u>3,410,172</u>	<u>79,290</u>	<u>18,787,766</u>
Capital Assets being Depreciated:				
Buildings	9,729,984	193,431	-0-	9,923,415
Improvements	4,467,939	17,950	-0-	4,485,889
Machinery and Equipment	13,249,189	897,598	1,178,655	12,968,132
Infrastructure:				
Streets	11,994,385	220,225	-0-	12,214,610
Storm and Sanitary Sewers	3,489,921	102,111	-0-	3,592,610
Water Lines	411,370	77,306	-0-	488,676
Traffic Signals	<u>2,418,314</u>	<u>72,360</u>	<u>-0-</u>	<u>2,490,674</u>
Total Capital Assets being Depreciated	<u>45,761,102</u>	<u>1,580,981</u>	<u>1,178,655</u>	<u>46,163,428</u>
Less Accumulated Depreciation:				
Buildings	(4,019,803)	(195,689)	-0-	(4,215,492)
Improvements	(1,436,444)	(172,826)	-0-	(1,609,270)
Machinery and Equipment	(6,457,822)	(987,075)	832,263	(6,612,634)
Infrastructure:				
Streets	(2,294,540)	(272,048)	-0-	(2,566,588)
Storm and Sanitary Sewers	(233,923)	(29,240)	-0-	(263,163)
Water Lines	(12,560)	(4,885)	-0-	(17,445)
Traffic Signals	<u>(576,680)</u>	<u>(62,269)</u>	<u>-0-</u>	<u>(638,949)</u>
Total Accumulated Depreciation	<u>(15,031,772)</u>	<u>(1,724,032)</u>	<u>832,263</u>	<u>(15,923,541)</u>
Net Capital Assets being Depreciated	<u>30,729,330</u>	<u>(143,051)</u>	<u>346,392</u>	<u>30,239,887</u>
Governmental Activities				
Capital Assets, Net	<u>\$46,186,214</u>	<u>\$3,267,121</u>	<u>\$425,682</u>	<u>\$49,027,653</u>

Depreciation expense was charged to governmental activities as follows:

Security of Persons and Property	\$579,462
Public Health Services	1,531
Leisure Time Activities	152,915
Housing and Community Development	76,486
Sanitation and Sewer Services	271,765
Street Maintenance and Repair	354,835
Public Works – Other	264,461
General Government – Legislative and Executive	14,414
General Government – Judicial System	<u>8,163</u>
Total	<u>\$1,724,032</u>

Note 8 - Compensated Absences

Vacation is earned by City employees at varying rates based upon length of service. No employee may accumulate vacation time in excess of three times the individual's annual rate of accrual. In the case of death, termination or retirement an employee (or the employee's estate), is paid for the accumulated, unused vacation

City of Shaker Heights, Ohio
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leave.

All full-time employees earn sick leave at a rate of fifteen (15) workdays per year. In November of each year full-time employees of the City have the right to convert accumulated sick leave days earned during the last year in excess of a total accumulation of ninety (90) days at the ratio of three days of accumulated sick leave for one day's pay. Sick leave not converted under this option may be used through time off from work. Dependent upon bargaining unit membership, full-time employees with minimum continuous service with the City ranging from five to fifteen years who terminate employment for other than disciplinary reasons may receive payment for their accumulated sick leave according to various formulae with maximums ranging from 600 to 1,300 hours.

Note 9 – Notes Payable

Changes in the City's short-term debt payable for the year ended December 31, 2003, were as follows:

<u>General Obligation Bond Anticipation</u>	<u>Balance</u> <u>12/31/2002</u>	<u>Net/Addition</u> <u>(Reduction)</u>	<u>Balance</u> <u>12/31/2003</u>
STC NorthWest Quadrant Note, due 5/14/04 interest at 1.40% (Renewal – 12)	\$1,275,000	\$(155,000)	\$1,120,000
Police Pension Unfunded Liability Note, due 5/14/04, interest at 1.40%, (Renewal 3)	870,085	(870,085)	-0-
Fire Pension Unfunded Liability Note, due 5/14/04, interest at 1.40%, (Renewal 3)	809,915	(809,915)	-0-
2000 Fire Truck Acquisition Note, due 5/14/04, interest at 1.40% (Renewal 3)	240,000	(80,000)	160,000
2002 Fire Truck Acquisition Note, due 05/14/04, interest at 1.40% (Renewal 1)	430,000	(90,000)	340,000
EMS Fire Ambulance Acquisition Note, due 5/14/04, interest at 1.40% (Renewal 2)	120,000	(30,000)	90,000
Public Works Project Note, due 05/14/04, interest at 1.40% (Renewal 1)	1,230,000	(230,000)	1,000,000
Firehouse No. 1 Construction Temporary Urban Renewal Bond, due 7/1/2003, interest at 2.25%	5,000,000	(5,000,000)	-0-
Shaker Town Centre Revitalization Temporary Urban Renewal Bond, due 7/10/2003, interest at 2.25%	5,100,000	(5,100,000)	-0-
Sussex Area Revitalization District Temporary Urban Renewal Temporary Bond – Property Acquisition, due 12/09/04, interest at 1.35% (Renewal 3)	<u>2,725,000</u>	<u>(510,000)</u>	<u>2,215,000</u>
Total	<u>\$17,800,000</u>	<u>\$(12,875,000)</u>	<u>\$4,925,000</u>

Notes payable at December 31, 2003, consisted of the general obligation bond anticipation notes listed above. All of the debt listed has a term of one year or less and was issued to finance improvements to City owned property and to acquire equipment. The City has been retiring a portion of the notes as they mature and issuing new notes for the remaining balance. The City will either convert this debt to bonds or pay off the debt within the 20 to 30 year conversion period as required by the laws of the State of Ohio.

City of Shaker Heights, Ohio
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Note 10 - Long Term Obligation

Changes in long-term obligations during the year were as follows:

	Balance 12/31/2002	Net/Addition (Reduction)	Balance 12/31/2003	Amounts Due in One Year
Bonds Payable				
Firehouse No. 1 Construction Permanent Urban Renewal Bond, due 12/1/2031, at various interest rates	\$ -0-	\$5,000,000-	\$5,000,000	\$105,000
Sussex Area Revitalization District Permanent Urban Renewal Bond – Public Improvements, due 12/1/2031, at various interest rates	-0-	2,725,000	2,725,000	-0-
Shaker Town Centre Revitalization Permanent Urban Renewal Bond, due 12/1/2031, at various interest rates	-0-	7,645,000	7,645,000	-0-
Total Bonds Payable	<u>-0-</u>	<u>15,370,000</u>	<u>15,370,000</u>	<u>105,000</u>
Loans Payable				
Shelburne Road Sanitary Sewer Replacement, Ohio Public Works Commission Loan, 0% interest, due 7/1/2015, semi-annual installment of \$20,188, beginning 7/1/1995	504,687	(40,375)	464,312	40,375
Compensated Absences	<u>2,701,690</u>	<u>240,070</u>	<u>2,941,760</u>	<u>131,108</u>
Total General Long-Term Obligations	<u>\$3,206,377</u>	<u>\$15,569,695</u>	<u>\$18,776,072</u>	<u>\$276,483</u>

As of December 31, 2003, the City's future debt service requirements consisted of bonds payable, an Ohio Public Works Commission non-interest bearing loan and compensated absences. The OPWC loan requires an annual principal payment of \$40,375 for the next eleven years and a final payment of \$20,187 which is due on June 1, 2015, totaling \$464,312.

<u>Year</u>	<u>Bonds Payable</u>		<u>OPWC Loan</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2004	\$105,000	\$690,489	\$40,375
2005	110,000	688,389	40,375
2006	135,000	686,189	40,375
2007	165,000	683,489	40,375
2008	270,000	680,189	40,375
2009-2013	1,995,000	3,260,800	201,875
2014-2018	2,540,000	2,844,328	60,562
2019-2023	3,145,000	2,169,206	-0-
2024-2028	3,995,000	1,273,755	-0-
2029-2031	2,910,000	273,338	-0-
Total	<u>\$15,370,000</u>	<u>\$13,250,172</u>	<u>\$464,312</u>

City of Shaker Heights, Ohio
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Legal Debt Margin Under the Uniform Bond Act of the Ohio Revised Code, at December 31, 2003, the City's overall debt limitations is \$87,709,046 (10.5% of the City's total assessed property valuation of \$835,324,251) of which \$85,325,017 is available for additional voted and unvoted general obligation debt. Of this total general obligation debt capacity, the City's unvoted general obligation debt capacity is \$45,942,834 (5.5% of the City's total assessed property valuation) at December 31, 2003, of which \$43,558,805 is available.

Note 11 - Pension and Retirement Plans

A. Ohio Public Employees Retirement System (OPERS)

All employees, other than non-administrative full-time police officers and firefighters participate in the Ohio Public Employees Retirement System, (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a post-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which members invest 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 is 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. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the 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 employee and employer contributions. Employees are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City contributed 13.55 percent of covered payroll, of which 5.0 percent was used to fund health care coverage for retirees. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2003, 2002 and 2001 were \$7,783,320, \$1,747,967, and \$1,744,193 respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund (OP&F)

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan administered by the OP&F's Board of Trustees. 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. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Police and firefighters are required to contribute 10.1 percent of their annual covered salary to fund pension obligations and the City contributes 19.5 for police and 24.0 percent for firefighters, of which 7.75 percent is used to pay retiree health care expenses. The City's contributions to the OP&F for the years ended December 31, 2003,

City of Shaker Heights, Ohio
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2002 and 2001 were \$873,551, \$855,201, and \$809,585 respectively for police officers and \$1,027,020, \$973,761 and \$907,523 respectively. The full amount has been contributed for all three years.

Note 12 - Post Employment Benefits

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 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 Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2003 and 2002 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for both years.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.0 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The City's actual contributions for 2003, which were used to fund postemployment benefits, were \$658,045. The actual contribution and the actuarially required contribution amounts are the same. OPERS'S net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfounded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, The OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. This new plan will incorporate a cafeteria approach, offering a broader range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year eligibility standard for the present plan.

The benefit recipients will be free to select the option that best meets their needs. Recipients will fund health

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care costs in excess of their monthly health care benefit. The plan will also offer a sending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

B. Ohio Police and Fire Pension Fund (OP&F)

The Ohio Police and Fire Pension Fund (OP&F) provides access to postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. 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 two-thirds basis.

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 the authority allowing the OP&F's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. 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, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003 and 2002. In addition, since July 1, 1992, most retirees and survivors 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 City's actual contributions for 2003 that were used to fund postemployment benefits were \$873,550 and \$1,027,020 for police officers and firefighters respectively. The OP&F's total health care expenses for the year ended December 31, 2002, (the latest actuarial information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of participants eligible to receive health care benefits as of December 31, 2002 (the date of the last actuarial valuation available), was 13,527 for police and 10,396 for firefighters.

Note 13 - Interfund Transfers

A. Interfund activity for the year ended December 31, 2003 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$120,000
Capital	Nonmajor Governmental	172,120
Nonmajor Governmental	General	1,500
Governmental Activities:		
Internal Service Funds	General	<u>191,000</u>
Total		<u>\$474,620</u>

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

City of Shaker Heights, Ohio
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Transfer to	Transfer From			Total
	General Fund	Capital Fund	Nonmajor Governmental Funds	
General Fund	\$ -0-	\$ 33,012	\$ -0-	\$ 33,012
Capital Fund	2,026,106	-0-	2,443,600	4,469,706
Nonmajor Governmental Funds	<u>4,589,500</u>	<u>200,000</u>	<u>5,076</u>	<u>4,834,576</u>
Totals	<u>\$6,615,606</u>	<u>\$233,012</u>	<u>\$2,488,676</u>	<u>\$9,337,294</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

Note 14 - Direct Financing Leases

As of December 31, 2003, the City has leased three pieces of real property. All of the leases are accounted for as direct financing leases. The value of the City's investment in direct financing leases is reflected as a lease receivable and deferred revenue in the General Fund of \$ 233,656 and the General Capital Improvement Fund of \$1,924,114.

Former Moreland School Building This property was leased to the Shaker Heights Public Library during 1991 to serve as the library districts' new main library facility. The initial lease term expires in 2013 with four ten-year renewal options. Under the terms of the lease, the Library Board of Directors completed approximately \$4.3 million in renovations to the facility. The lease required the City to finance \$2.6 million of the project. The annual basic lease payment is \$100 plus the annual debt service on the financing amortized over the life of the lease.

Warrensville Center Road Center Strip/Parking Lots This lease was entered into with OfficeMax, Inc. during 1996 and is scheduled to expire in 2016. Under the terms of the lease, the City constructed and made necessary improvements to existing parking lots on City owned property along Warrensville Center Road. These parking lots were subsequently leased to OfficeMax, Inc. for their exclusive use. The initial term of the lease is for twenty years with an additional five-year option, which may be exercised by the lessee.

3470 Warrensville Center Road This lease was entered into 1999 and will expire in 2009. Under the terms of the lease, upon expiration, the lessee has the right to renew the lease with scheduled rent increases for two five-year periods.

The following lists the components of the net investment in direct financing leases as of December 31, 2003:

Total minimum lease payments to be received	\$1,596,921
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City of Shaker Heights, Ohio
Notes to the Basic Financial Statements
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Less: Amounts representing executory costs	(17,940)
Minimum lease payments receivable	1,578,981
Less: Allowance for uncollectables	-0-
Net minimum lease payments receivable	1,578,981
Estimated residual value of leased property (unguaranteed)	578,789
Less: Unearned income	<u>-0-</u>
Net investment in direct financing leases	<u>\$2,157,770</u>

Note 15 - Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2003, the City contracted with the following insurance companies:

States Self-Insurers Risk Retention Group, Inc. - provided public entity broad form liability insurance. This insurance included law enforcement, public officials, and emergency medical liability insurance, and is limited to \$10,000,000 with a self-retention of \$250,000. This insurance also included excess insurance for automobile liability with a deductible of \$1,000,000.

Westfield Insurance Company - provided comprehensive and collision coverage for vehicles valued at \$50,001 and above.

Hartford Insurance Company - provided commercial insurance for property and inland marine. Property insurance, with a deductible of \$5,000, was limited to \$32,392,597 for property and contents and \$1,314,000 for contractor's equipment. Boiler insurance had a property damage limit of \$2,000,000 with a deductible of \$1,000. This coverage also included coverage of valuable papers and records, which was limited to \$75,000 with a deductible of \$250.

CNA - provided commercial crime and public employee dishonesty insurance with an aggregate limit of \$500,000 and a deductible of \$1,000.

Hartford - provided commercial inland marine coverage for the City's vehicle fleet. This insurance coverage has a maximum limit of \$3,000,000 and deductible of \$5,000.

Western World - provided emergency medical services insurance with an aggregate limit of \$500,000, an occurrence limit of \$250,000, and a deductible of \$250.

The City accounts for its general liability and property insurance premiums in the Self-Insurance Fund (an Internal Service Fund). All other premiums are accounted for in the General Fund. The claims liability of \$1,136,312 reported in the Self-Insurance Fund at December 31, 2003, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims 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. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no reductions in 2003 coverage when compared to 2002.

The City makes available a choice of health care plans for full-time permanent employees and their qualified dependents. Our current providers are an HMO and commercial hospitalization insurance carrier. Hospitalization premiums are paid on a monthly basis through the General Fund. Benefits of these plans include hospitalization and dental insurance. Other insurance carriers provide accidental death and

City of Shaker Heights, Ohio
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December 31, 2003

dismemberment, disability and life insurance benefits.

The State of Ohio is one of six states having monopolistic state funds, which have the exclusive authority to provide employees with workers' compensation insurance. Historically, under the Ohio Workers' Compensation System for public employer taxing districts, there have been two types of rating plans: Base Rating and Experience Rating.

Ohio law was subsequently amended to include an additional plan called Retrospective Rating, which was offered to Ohio Employers who meet the eligibility requirements and standards. Under the terms of the Retrospective Rating Plan, an employer is required to make three forms of payment.

- First a minimum premium payment, which is a fraction of the premium it would have been under the Experience Rating Plan.
- Second, the employer is responsible for all selection year claims paid by the Bureau within the next ten years.
- Third, at the end of the ten-year period, the Bureau will compute a final premium liability for all remaining, unresolved claims.

The City applied for and was accepted into the Retrospective Rating Plan for the years 1994 through 1999. The City's Self-Insurance Fund (an Internal Service Fund) is used to account for and pay Workers' Compensation claims from the accumulated assets of the fund. The City's Retrospective Rating Plan provided for an unlimited \$250,000 catastrophic limit per claim, and an unlimited claim limit in the aggregate. For 2003, the City elected the experience rating thereby transferring all Workers' Compensation risk arising from 2003 claims to the State Bureau of Workers' Compensation.

At December 31, 2003 \$1,183,312 had been accrued for Self Insurance claims. This represents estimates to be paid for Workers' Compensation and Property and Casualty claims incurred but not yet reported based on the current information available.

A reconciliation of changes in the balances of claims liabilities during the fiscal years 2003 and 2002 were as follows:

	Property and Casualty		Workers' Compensation	
	2003	2002	2003	2002
Beginning of the Year Liability	\$32,500	\$5,000	\$1,197,400	\$1,197,400
Current Year Claims And Changes in Estimates	27,300	(34,400)	-0-	-0-
Claim Payment	(12,800)	(6,900)	(61,088)	-
Balance at End of Year	<u>\$47,000</u>	<u>\$32,500</u>	<u>\$1,136,312</u>	<u>\$1,197,400</u>

Note 16 - Construction Commitments

The City has active construction projects as of December 31, 2003. As of December 31, 2003, the City's construction commitments with contractors were as follows:

City of Shaker Heights, Ohio
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<u>Project</u>	<u>Project Expenditures as of December 31, 2003</u>	<u>Remaining Commitment</u>
Firehouse No. 1 Construction	<u>\$3,003,122</u>	<u>\$394,250</u>

The Firehouse permanent bonds are also secured by future payments in lieu of taxes that will be generated based upon the taxable value of the improvements made to the Shaker Heights Towne Centre Revitalization District.

Note 17 - Claims and Judgments

Several claims and lawsuits are pending against the City. It is the opinion of management that such claims and lawsuits will not have a material adverse effect on the financial condition of the City.

The City has received several federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. However, it is the opinion of management that any such disallowances, if any, will be immaterial.

Note 18 - Subsequent Event

On April 29, 2004, City Council passed Ordinance Number 04-60 authorizing the issuance and sale of notes in the aggregate principal amount of not to exceed \$2,120,000 for the following purposes: (i) renovating and improving the former Moreland school building for library and other municipal purposes, (ii) acquiring motorized and mechanized vehicles and equipment for the Safety Department, including fire trucks, together with all necessary appurtenances and equipment thereto, (iii) acquiring motor vehicles for the Public Works Department, together with all necessary equipment and appurtenances thereto, and (iv.) improving the Municipal Service Center, the Municipal Police and Court Building and Thornton Park Recreational Building; each by replacing and repairing the roof and making other necessary or related improvements, together with all necessary appurtenances thereto.

On April 29, 2004, City Council enacted Ordinance Number 04-61 authorizing the issuance and sale of notes in the amount not to exceed \$800,000 for the purpose of acquiring, installing and equipping a new computer system for the Public Safety Department, together with all necessary appurtenances thereto.

On April 29, 2004, City Council enacted Ordinance Number 04-62 authorizing the issuance and sale of notes in the amount not to exceed \$1,360,000 for the purpose of improving streets within the City by installing traffic signalization and by resurfacing, together with all necessary equipment and appurtenances thereto.

**Combining Statements and
Individual Fund Schedules**

Combining Statements - Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts of major capital projects) that are legally restricted to expenditure for specified purposes.

Street Maintenance and Repair – One of two funds legally required by the Ohio Revised Code (the other being the State Highway Maintenance Fund) to account for revenue from the state gasoline tax and motor vehicle registration fees. The Revised Code requires that 92.5% of these revenues be used for the maintenance and repair of streets within the City.

State Highway Fund – One of two funds legally required by the Ohio Revised Code (the other being the Street Maintenance and Repair Fund) to account for revenue from the state gasoline tax and motor vehicle registration fees. The Revised Code requires that 7.5% of these revenues be used exclusively for the maintenance and repair of state highways within the City.

Economic Development Fund – To account for funds used to attract and retain businesses within the City.

Sewer Maintenance– To account for funds derived from a surcharge levied upon all users of the sewer system within the City. This surcharge pays for sewer system maintenance, replacement and repair. The surcharge is levied in addition to the treatment and disposal rate set by the Northeast Ohio Regional Sewer District.

Police Pension Fund – To account for the payment of current and accrued police pension liability to the Police and Fireman’s Disability and Pension Fund of Ohio. The Ohio Revised Code requires that the City levy .3 mills of property tax annually for the partial payment of this liability. The remaining liability is financed by an operating transfer primarily from the City’s General Fund.

Fire Pension Fund – To account for the payment of current and accrued fire pension liability to the Police and Firemen's Disability and Pension Fund of Ohio. The Ohio Revised Code requires that the City levy .3 mills of property tax annually for the partial payment of this liability. The remaining liability is financed by an operating transfer primarily from the City's General Fund.

continued

Nonmajor Special Revenue Funds (continued)

Indigent Driver/Alcohol Treatment – To account for reinstatement fees collected by the State Bureau of Motor Vehicles in connection with driving under the influence offenses. Section 4511.191(L) provides that payments are to be made only upon order of the Municipal Court Judge for alcohol and other drug treatment costs for indigent drivers.

Court Computer Legal Research - To account for revenues from court costs assessed under the authority of Ohio Revised Code Section 1901.261(A) by the Municipal Court on the filing of each cause of action or appeal for the purposes of computerizing the court and to make available computerized legal research services.

Clerk's Computerization - To account for revenues from court costs assessed under the authority of Ohio Revised Code Section 1901.261(B) by the Municipal Court on the filing of each cause of action or appeal, certificate of judgment or modification of judgment for the purpose of procuring and maintaining computer systems for the office of the clerk of the Municipal Court.

Exterior Home Maintenance - To account for monies received from the Cuyahoga County Community Development Block Grant Program to be used to provide funding for improvements to owner-occupied homes within the City.

Fair Housing Grant - To account for monies received from the Department of Housing and Urban Development. The funds are to be used to monitor fair housing practices within the City.

Community Preservation Partnership Program - To account for the Gund and Cleveland Foundation Grant monies to be used for home improvement education and mortgage assistance.

Law Enforcement Grant - To account for grants received by the Shaker Heights Police Department whose primary purpose is to reduce the amounts and effects of external harm to individuals and property.

Court Community Service Fund - To account for the collection and use of an additional court cost imposed by the Shaker Heights Municipal Court, under the authority of Ohio Revised Code Section 1901-26, on each DUI and substance related offenses as well as first-offender criminal cases to fund court community service programming.

continued

Nonmajor Special Revenue Funds (continued)

Court Alternate Dispute Resolution Fund - To Account for the collection and use of an additional court cost imposed by the Shaker Heights Municipal Court, under the authority of Ohio Revised Code Section 1901-26, on each civil and small claims case to fund alternate dispute resolution programming and materials.

Ohio Court Security Project Fund - To account for a grant received from the State of Ohio to be used to upgrade court security by replacing door entry locks with a computerized keyless entry system.

High Intensity Drug Trafficking Area Grant Fund (HIDTA) - The City is the grantee and acts as the fiscal agent for the Federally Funded Ohio HIDTA. The HIDTA Program functions as a coordination umbrella by forging partnerships among local, state and federal law enforcement agencies in designated areas to combine resources and efforts in order to reduce drug trafficking and distribution.

Drug Free Community Grant - To account for \$100,000 grant received by the City's Health department whose primary purpose is to reduce and prevent the use of alcohol, tobacco and other drugs by the youth of Shaker Heights by influencing social norms regarding substance abuse.

Street Lighting Assessment - To account for funds received from the levy of special assessments against property with frontage on public streets for the legally restricted purpose of paying the cost of street lighting within the City.

Tree Maintenance Assessment - To account for funds received from the levy of special assessments against property with frontage on public streets for the legally restricted purpose of paying the cost of tree care on the City's public right-of-way.

Central Services Operation - To provide a central cost center for work for other governmental agencies, utilities, and individuals that is not considered to be a normal city function and is billable back to the responsible party. Included in this fund is the maintenance of the rapid transit tracks for the Regional Transit Authority, street openings and closings, public property damage repair, sidewalk repair and replacement and other miscellaneous activities.

continued

Nonmajor Special Revenue Funds (continued)

Law Enforcement Trust – To account for the proceeds of property deemed contraband by the courts and ordered forfeited to the City. The Ohio Revised Code permits these funds to be expended only for the cost of protracted or complex investigations or prosecutions, to provide reasonable technical training or expertise or other such law enforcement purposes as determined by Council. The fund may not be used to meet operating costs of the City that are not related to law enforcement.

Nonmajor Debt Service Funds

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Debt Service Administration – To account for the accumulation of resources for, and the payment of all General Long Term Debt Principal and Interest except for Urban Renewal Debt.

Urban Renewal Bond Retirement – To account for the accumulation of resources for, and the payment of, Urban Renewal Debt issued pursuant to Ohio Revised Code Section 725 to finance the Sussex Area Revitalization Project and the Shaker Towne Centre Community Development District Revitalization Project.

City of Shaker Heights, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003

	Special Revenue Funds								
	Maintenance		Economic Develop- ment	Sewer Maint- enance	Police Pension	Fire Pension	Indigent Driver Alcohol Treatment	Court Computer	Clerk's Computer- ization
	Street	State Highway							
ASSETS									
Equity In City Treasury Cash	\$437,376	\$73,295	\$1,000,000	\$2,363,843	\$454,979	\$376,380	\$30,014	\$139,801	\$71,733
Cash With Fiscal Agent	0	0	0	0	0	0	0	0	0
Taxes Receivable	0	0	0	0	235,372	235,372	0	0	0
Accounts Receivable	0	0	0	447,944	0	0	0	0	0
Special Assessments Receivable	0	0	0	8,002	0	0	0	0	0
Interfund Receivable	0	0	0	0	0	1,500	0	0	0
Intergovernmental Receivable	260,472	20,018	0	0	0	0	175	2,674	8,931
Prepaid Items	0	0	0	0	0	0	0	0	0
Total Assets	\$697,848	\$93,313	\$1,000,000	\$2,819,789	\$690,351	\$613,252	\$30,189	\$142,475	\$80,664
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts Payable	\$23,037	\$14,261	\$7,071	\$71,897	\$0	\$0	\$375	\$217	\$462
Accrued Wages	24,661	1,640	0	31,363	273,566	308,527	0	1,357	4,192
Compensated Absences	17,764	0	0	7,667	44,926	69,073	0	0	0
Interfund Payable	0	0	0	0	0	0	0	0	0
Deferred Revenue	147,874	11,990	0	352,678	235,372	235,372	0	0	0
Matured Bonds and Interest	0	0	0	0	0	0	0	0	0
Total Liabilities	213,336	27,891	7,071	463,605	553,864	612,972	375	1,574	4,654
Fund Balance									
Reserved for Encumbrances	116,959	911	42,929	70,637	7,655	0	0	0	23,759
Undesignated, Reported in:									
Special Revenue Funds	367,553	64,511	950,000	2,285,547	128,832	280	29,814	140,901	52,251
Debt Service	0	0	0	0	0	0	0	0	0
Total Fund Balance	484,512	65,422	992,929	2,356,184	136,487	280	29,814	140,901	76,010
Total Liabilities and Fund Balance	\$697,848	\$93,313	\$1,000,000	\$2,819,789	\$690,351	\$613,252	\$30,189	\$142,475	\$80,664

continued

City of Shaker Heights, Ohio
Combining Balance Sheet, continued
Nonmajor Governmental Funds
December 31, 2003

	Special Revenue Funds								
	Exterior Home Maint- enance	Fair Housing Grant	Community Preser- vation	Law Enforce- ment Grants	Court Community Service	Court Alternate Dispute Resolution	Ohio Court Security	High Intensity Drug Trafficking Area	Drug Free Community Grant
ASSETS									
Equity In City Treasury Cash	\$27,434	\$267,467	\$670,658	\$51,220	\$17,847	\$37,473	\$1,386	\$28,846	\$8,840
Cash With Fiscal Agent	0	0	0	0	0	0	0	0	0
Taxes Receivable	0	0	0	0	0	0	0	0	0
Accounts Receivable	0	0	0	0	0	0	0	0	0
Special Assessments Receivable	0	0	340,431	0	0	0	0	0	0
Interfund Receivable	0	0	0	0	0	0	0	0	0
Intergovernmental Receivable	30,438	0	0	0	600	3,654	634	174,156	8,156
Prepaid Items	0	0	0	0	0	0	0	48,593	0
Total Assets	\$57,872	\$267,467	\$1,011,089	\$51,220	\$18,447	\$41,127	\$2,020	\$251,595	\$16,996
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts Payable	\$2,925	\$1,825	\$19,916	\$0	\$0	\$0	\$0	\$210,938	\$621
Accrued Wages	1,216	0	0	381	0	2,860	0	31,726	4,323
Compensated Absences	0	0	0	0	0	0	0	4,327	448
Interfund Payable	43,691	0	0	0	0	0	0	0	10,000
Deferred Revenue	0	0	340,431	0	0	0	0	0	0
Matured Bonds and Interest	0	0	0	0	0	0	0	0	0
Total Liabilities	47,832	1,825	360,347	381	0	2,860	0	246,991	15,392
Fund Balance									
Reserved for Encumbrances	5,012	742	19,558	0	303	0	0	0	0
Unreserved, Reported in:									
Special Revenue Funds	5,028	264,900	631,184	50,839	18,144	38,267	2,020	4,604	1,604
Debt Service	0	0	0	0	0	0	0	0	0
Total Fund Balance	10,040	265,642	650,742	50,839	18,447	38,267	2,020	4,604	1,604
Total Liabilities and Fund Balance	\$57,872	\$267,467	\$1,011,089	\$51,220	\$18,447	\$41,127	\$2,020	\$251,595	\$16,996

continued

City of Shaker Heights, Ohio
Combining Balance Sheet, continued
Nonmajor Governmental Funds
December 31, 2003

	Special Revenue Funds					Debt Service Funds			Total Nonmajor Governmental Funds
	Special Assessments		Central Services Operations	Law Enforce- ment Trust	Total	Debt Service Admin- istration	Urban Renewal Bond Retirement	Total	
	Street Lighting	Tree Maint- enance							
ASSETS									
Equity In City Treasury Cash	\$184,998	\$555,139	\$291,146	\$553,757	\$7,643,632	\$327,472	\$126,928	\$454,400	\$8,098,032
Cash With Fiscal Agent	0	0	0	0	0	26,591	0	26,591	26,591
Taxes Receivable	0	0	0	0	470,744	0	0	0	470,744
Accounts Receivable	0	0	29,302	0	477,246	0	0	0	477,246
Special Assessments Receivable	1,839,321	2,391,628	51,897	0	4,631,279	0	0	0	4,631,279
Interfund Receivable	0	0	0	0	1,500	0	0	0	1,500
Intergovernmental Receivable	0	0	6,541	0	516,449	0	0	0	516,449
Prepaid Items	0	0	0	0	48,593	0	0	0	48,593
Total Assets	\$2,024,319	\$2,946,767	\$378,886	\$553,757	\$13,789,443	\$354,063	\$126,928	\$480,991	\$14,270,434
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts Payable	\$0	\$26,121	\$36,153	\$4,030	\$419,849	\$0	\$0	\$0	\$419,849
Accrued Wages	0	31,253	7,462	98	724,625	0	0	0	724,625
Compensated Absences	0	0	0	0	144,205	0	0	0	144,205
Interfund Payable	0	0	100,000	0	153,691	2,156	126,273	128,429	282,120
Deferred Revenue	1,839,321	2,391,628	51,897	0	5,606,563	0	0	0	5,606,563
Matured Bonds and Interest	0	0	0	0	0	26,591	0	26,591	26,591
Total Liabilities	1,839,321	2,449,002	195,512	4,128	7,048,933	28,747	126,273	155,020	7,203,953
Fund Balance									
Reserved for Encumbrances	2,943	70,025	155,026	19,159	535,618	0	0	0	535,618
Unreserved, Reported in:									
Special Revenue Funds	182,055	427,740	28,348	530,470	6,204,892	0	0	0	6,204,892
Debt Service	0	0	0	0	0	325,316	655	325,971	325,971
Total Fund Balance	184,998	497,765	183,374	549,629	6,740,510	325,316	655	325,971	7,066,481
Total Liabilities and Fund Balance	\$2,024,319	\$2,946,767	\$378,886	\$553,757	\$13,789,443	\$354,063	\$126,928	\$480,991	\$14,270,434

City of Shaker Heights, Ohio
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2003

Special Revenue Funds

	Maintenance		Economic	Sewer	Police	Fire	Indigent	Court	Clerk's
	Street	State Highway	Develop-ment	Maintenance	Pension	Pension	Driver Alcohol Treatment	Computer	Computer-ization
Revenues									
Property Taxes	\$0	\$0	\$0	\$0	\$193,518	\$193,518	\$0	\$0	\$0
State Levied Shared Taxes	793,309	51,482	0	0	0	0	0	0	0
Intergovernmental	0	0	0	1,168	25,716	25,716	7,285	7,909	0
Charges For Services	0	0	0	1,382,851	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0	0	33,671	112,080
Interest Earnings	0	1,359	0	92,786	0	0	589	2,587	2,259
Special Assessment	0	0	0	2,021	0	0	0	0	0
Other Revenue	1,500	135	0	2,729	0	0	0	267	955
Total Revenues	794,809	52,976	0	1,481,555	219,234	219,234	7,874	44,434	115,294
Expenditures									
Current:									
Security of Persons and Property:									
Police	0	0	0	0	875,697	0	0	0	0
Fire	0	0	0	0	0	1,064,348	0	0	0
Other	0	0	0	0	0	0	0	0	0
Public Health Services	0	0	0	0	0	0	0	0	0
Housing and Community Developme	0	0	7,071	0	0	0	0	0	0
Sanitation and Sewer Services	0	0	0	627,314	0	0	0	0	0
Street Maintenance and Repair	966,812	88,158	0	0	0	0	0	0	0
Public Works - Other	0	0	0	0	0	0	0	0	0
General Government:									
Legislative and Executive	0	0	0	145,419	0	0	0	0	0
Judicial System	0	0	0	0	0	0	3,280	18,478	167,489
Debt Service:									
Principal Retirements	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	16,432	15,303	0	0	0
Total Expenditures	966,812	88,158	7,071	772,733	892,129	1,079,651	3,280	18,478	167,489
Excess (Deficiency) of Revenues Over									
(Under) Expenditures	(172,003)	(35,182)	(7,071)	708,822	(672,895)	(860,417)	4,594	25,956	(52,195)
Other Financing Sources (Uses)									
Transfers - In	131,800	0	1,000,000	0	1,539,441	1,603,340	0	0	0
Transfers - Out	0	0	0	(2,483,975)	0	0	0	0	0
Total Other Financing Sources (Uses)	131,800	0	1,000,000	(2,483,975)	1,539,441	1,603,340	0	0	0
Net Change in Fund Balances	(40,203)	(35,182)	992,929	(1,775,153)	866,546	742,923	4,594	25,956	(52,195)
Fund Balances (Deficit) Beginning of Year, Restated	524,715	100,604	0	4,131,337	(730,059)	(742,643)	25,220	114,945	128,205
Fund Balances End of Year	\$484,512	\$65,422	\$992,929	\$2,356,184	\$136,487	\$280	\$29,814	\$140,901	\$76,010

continued

City of Shaker Heights, Ohio
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
Nonmajor Governmental Funds
For the Year Ended December 31, 2003

	Special Revenue Funds								
	Exterior Home Maintenance	Fair Housing Grant	Community Preservation	Law Enforcement Grants	Court Community Service	Court Alternate Dispute Resolution	Ohio Court Security	High Intensity Drug Trafficking Area	Drug Free Community Grant
Revenues									
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State Levied Shared Taxes	0	0	0	0	0	0	0	0	0
Intergovernmental	39,283	125,400	0	23,833	0	0	1,063	2,036,715	97,247
Charges For Services	0	0	9,835	0	7,161	42,516	634	0	0
Fines and Forfeitures	0	0	0	0	0	0	0	0	0
Interest Earnings	0	5,260	0	555	337	714	48	0	0
Special Assessment	0	0	29,678	0	0	0	0	0	0
Other Revenue	0	17	0	0	0	410	0	0	0
Total Revenues	39,283	130,677	39,513	24,388	7,498	43,640	1,745	2,036,715	97,247
Expenditures									
Current:									
Security of Persons and Property:									
Police	0	0	0	11,728	0	0	0	2,085,332	0
Fire	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Public Health Services	0	0	0	0	0	0	0	0	97,220
Housing and Community Developm	105,322	0	389,709	0	0	0	0	0	0
Sanitation and Sewer Services	0	0	0	0	0	0	0	0	0
Street Maintenance	0	0	0	0	0	0	0	0	0
Public Works - Other	0	0	0	0	0	0	0	0	0
General Government:									
Legislative and Executive	0	42,321	0	0	0	0	0	0	0
Judicial System	0	0	0	0	3,640	35,098	4,056	0	0
Debt Service:									
Principal Retirements	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0
Total Expenditures	105,322	42,321	389,709	11,728	3,640	35,098	4,056	2,085,332	97,220
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,039)	88,356	(350,196)	12,660	3,858	8,542	(2,311)	(48,617)	27
Other Financing Sources (Uses)									
Transfers - In	30,700	0	475,000	1,920	0	0	0	0	0
Transfers - Out	0	0	0	(1,434)	0	0	0	0	0
Total Other Financing Sources (Uses)	30,700	0	475,000	486	0	0	0	0	0
Net Change in Fund Balances	(35,339)	88,356	124,804	13,146	3,858	8,542	(2,311)	(48,617)	27
Fund Balances (Deficit) Beginning of Year, Restated	45,379	177,286	525,938	37,693	14,589	29,725	4,331	53,221	1,577
Fund Balances End of Year	\$10,040	\$265,642	\$650,742	\$50,839	\$18,447	\$38,267	\$2,020	\$4,604	\$1,604

continued

City of Shaker Heights, Ohio
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
Nonmajor Governmental Funds
For the Year Ended December 31, 2003

	Special Revenue Funds					Debt Service Funds			Total Nonmajor Governmental Funds
	Special Assessments		Central Services Operations	Law Enforce- ment Trust	Total	Debt Service Admin- istration	Urban Renewal Bond Retirement	Total	
	Street Lighting	Tree Main- tenance							
Revenues									
Property Taxes	\$0	\$0	\$0	\$0	\$387,036	\$0	\$0	\$0	\$387,036
State Levied Shared Taxes	0	0	0	0	844,791	0	0	0	844,791
Intergovernmental	0	0	0	0	2,391,335	0	0	0	2,391,335
Charges For Services	0	15,500	196,983	0	1,655,480	0	0	0	1,655,480
Fines and Forfeitures	0	0	0	256,765	402,516	0	0	0	402,516
Interest Earnings	0	0	0	12,727	119,221	2,269	655	2,924	122,145
Special Assessment	553,554	761,770	0	0	1,347,023	0	0	0	1,347,023
Other Revenue	0	12,095	6,410	1,682	26,200	0	0	0	26,200
Total Revenues	553,554	789,365	203,393	271,174	7,173,602	2,269	655	2,924	7,176,526
Expenditures									
Current:									
Security of Persons and Property:									
Police	0	0	6,140	44,995	3,023,892	0	0	0	3,023,892
Fire	0	0	11,656	0	1,076,004	0	0	0	1,076,004
Other	509,453	0	0	0	509,453	0	0	0	509,453
Public Health Services	0	0	0	0	97,220	0	0	0	97,220
Housing and Community Developme	0	685,236	38,316	0	1,225,654	0	0	0	1,225,654
Sanitation and Sewer Services	0	0	0	0	627,314	0	0	0	627,314
Street Maintenance	0	0	0	0	1,054,970	0	0	0	1,054,970
Public Works - Other	0	0	478,350	0	478,350	0	0	0	478,350
General Government:									
Legislative and Executive	0	0	71,483	0	259,223	1,387	0	1,387	260,610
Judicial System	0	0	0	0	232,041	0	0	0	232,041
Debt Service:									
Principal Retirements	0	0	0	0	0	40,375	0	40,375	40,375
Interest and Fiscal Charges	0	0	0	0	31,735	0	0	0	31,735
Total Expenditures	509,453	685,236	605,945	44,995	8,615,856	41,762	0	41,762	8,657,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	44,101	104,129	(402,552)	226,179	(1,442,254)	(39,493)	655	(38,838)	(1,481,092)
Other Financing Sources (Uses)									
Transfers - In	12,000	0	0	0	4,794,201	40,375	0	40,375	4,834,576
Transfers - Out	0	0	(627)	(2,640)	(2,488,676)	0	0	0	(2,488,676)
Total Other Financing Sources (Uses)	12,000	0	(627)	(2,640)	2,305,525	40,375	0	40,375	2,345,900
Net Change in Fund Balances	56,101	104,129	(403,179)	223,539	863,271	882	655	1,537	864,808
Fund Balances (Deficit) Beginning of Year, Restated	128,897	393,636	586,553	326,090	5,877,239	324,434	0	324,434	6,201,673
Fund Balances End of Year	\$184,998	\$497,765	\$183,374	\$549,629	\$6,740,510	\$325,316	\$655	\$325,971	\$7,066,481

Combining Statements – Internal Service Funds

To 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.

Central Stores – To provide a central cost center to account for the purchasing of office supplies, road materials, sidewalk materials, fuel, fire hydrants, and other miscellaneous supplies to be charged back to the individual City departments as the supplies are drawn.

Central Printing – To provide a centralized cost center to account for work performed for City departments by the City print shop.

Central Garage – To provide a central cost center to account for the cost of repairing and maintaining the City’s fleet of vehicles and heavy equipment. Operating costs are charged back to City departments based upon the number of vehicles and equipment maintained and upon the department’s actual utilization of the garage.

Self – Insurance – To account for monies charged to the General and the Enterprise funds of the City by the Self-Insurance Reserve Fund. Since 1986 the City has directly assumed the risk of loss from general liability claims. The Self-Insurance Reserve was created by Council to provide for a loss reserve, for the administration of the self-insurance activity and to account for the workers’ compensation claims. The Self-Insurance Reserve is not available to fund the general operations of the City.

City of Shaker Heights, Ohio
Combining Statement of Fund Net Assets
Internal Service Funds
December 31, 2003

	Central Stores	Central Printing	Central Garage	Self Insurance	Total
Assets					
Equity In City Treasury Cas	\$20,266	\$2,748	\$121,546	\$4,441,347	\$4,585,907
Interfund Receivable	45,300	1,600	144,100	0	191,000
Inventory of Supplies	12,113	0	0	0	12,113
Prepaid Items	0	0	0	111,471	111,471
Total Assets	<u>77,679</u>	<u>4,348</u>	<u>265,646</u>	<u>4,552,818</u>	<u>4,900,491</u>
Liabilities					
Current Liabilities:					
Accounts Payable	36,405	0	23,898	15,612	75,915
Accrued Wages and Benefi	0	2,313	69,582	5,514	77,409
Compensated Absences	0	1,112	148,053	64,257	213,422
Claims Payable	0	0	0	47,000	47,000
Total Current Liabilities	<u>36,405</u>	<u>3,425</u>	<u>241,533</u>	<u>132,383</u>	<u>413,746</u>
Long-Term Liabilities:					
Self Insurance Claims Paye	0	0	0	1,136,312	1,136,312
Total Liabilities	<u>36,405</u>	<u>3,425</u>	<u>241,533</u>	<u>1,268,695</u>	<u>1,550,058</u>
Net Assets					
Unrestricted	41,274	923	24,113	3,284,123	3,350,433
Total Net Assets	<u>\$41,274</u>	<u>\$923</u>	<u>\$24,113</u>	<u>\$3,284,123</u>	<u>\$3,350,433</u>

CITY OF SHAKER HEIGHTS, OHIO
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2003

	Central Stores	Central Printing	Central Garage	Self Insurance	Total
Operating Revenues					
Charges For Services	\$251,568	\$118,496	\$1,058,666	\$325,551	\$1,754,281
Operating Expenses					
Personal Services	0	29,035	825,372	96,339	950,746
Travel and Education	0	916	20	744	1,680
Contractual Services	0	85,783	206,575	34,671	327,029
Materials and Supplies	245,092	6,863	26,725	690	279,370
Insurance Claims and Expenses	0	0	0	307,585	307,585
Total Operating Expenses	245,092	122,597	1,058,692	440,029	1,866,410
Operating Income (Loss)	6,476	(4,101)	(26)	(114,478)	(112,129)
Non Operating Revenues					
Interest Earnings	0	0	0	94,339	94,339
Change in Net Assets	6,476	(4,101)	(26)	(20,139)	(17,790)
Total Net Assets Beginning of Year, Restated	34,798	5,024	24,139	3,304,262	3,368,223
Total Net Assets End of Year	\$41,274	\$923	\$24,113	\$3,284,123	\$3,350,433

City of Shaker Heights, Ohio
Combing Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2003

	<u>Central Stores</u>	<u>Central Printing</u>	<u>Central Garage</u>	<u>Self- Insurance</u>	<u>Total</u>
Increase (Decrease) In Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Interfund Ser	\$206,268	\$116,896	\$1,076,966	\$325,551	\$1,725,681
Cash Payments to Suppliers for Se	(199,780)	(93,562)	(240,272)	(487,504)	(1,021,118)
Cash Payments to Employees	0	(29,225)	(836,694)	(89,065)	(954,984)
Net Cash Provided by (Used for) Operating Activities	<u>6,488</u>	<u>(5,891)</u>	<u>0</u>	<u>(251,018)</u>	<u>(250,421)</u>
Cash Flows from Investing Activities					
Interest Earned on Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>94,339</u>	<u>94,339</u>
Increase/(Decrease) In Cash and Cash Equivalents	6,488	(5,891)	0	(156,679)	(156,082)
Cash & Cash Equivalents:					
Beginning of Year	<u>13,778</u>	<u>8,639</u>	<u>121,546</u>	<u>4,598,026</u>	<u>4,741,989</u>
End of Year	<u>\$20,266</u>	<u>\$2,748</u>	<u>\$121,546</u>	<u>\$4,441,347</u>	<u>\$4,585,907</u>
Reconciliation of Operating Income/ (Loss) to Net Cash Provided by/ (Used for) Operating Activities					
Operating Income (Loss)	\$6,476	(\$4,101)	(\$26)	(\$114,478)	(\$112,129)
Adjustments:					
(Increase)/ Decrease in Assets:					
Due From Other Funds	(45,300)	(1,600)	18,300	0	(28,600)
Materials and Supplies Inventory	10,295	0	0	0	10,295
Prepaid Items	0	0	0	(109,237)	(109,237)
Increase / (Decrease) in Liabilities:					
Accounts Payable	35,017	20	(6,762)	12,011	40,286
Accrued Wages and Benefits	0	0	11,508	(757)	10,751
Compensated Absences	0	(210)	(23,020)	8,031	(15,199)
Self Insurance Claims Payable	0	0	0	(46,588)	(46,588)
Total Adjustments	<u>12</u>	<u>(1,790)</u>	<u>26</u>	<u>(136,540)</u>	<u>(138,292)</u>
Net Cash Provided by/ (Used for) Operating Activities	<u>\$6,488</u>	<u>(\$5,891)</u>	<u>\$0</u>	<u>(\$251,018)</u>	<u>(\$250,421)</u>

Combining Statements – Agency Funds

Trust and Agency Funds are generally used to account for resources received by one governmental unit on behalf of a secondary recipient (*pass through*), governmental or other.

Obstruction Permit Deposit – To account for the receipt of refundable deposits required of individuals to insure that obstructions or openings in public property created during construction are returned to pre-construction condition.

Excavating Permit Deposit – To account for the receipt of refundable deposits required of individuals who wish to excavate and/or haul material over public property. The deposit is to guarantee that the public property will be cleaned and restored to its original condition and that the excavation, if any, will be properly guarded in accordance with applicable provisions of the City Code.

Unclaimed Monies – Fund required by Ohio Revised Code to account for monies received or collected and not otherwise paid out according to law. Monies that are deemed to be unclaimed and credited to this fund that are not claimed within a five year period revert to the General Fund.

Fund for the Future of Shaker Heights – To account for the assets, held by the City as fiscal agent, of the Fund for the Future of Shaker Heights, Inc. (F.F.S.H.), a non-profit corporation formed to promote pro-integrative housing moves within the City of Shaker Heights.

Municipal Court - To account for assets received and disbursed by the Shaker Heights Municipal Court as agent or custodian related to civil and criminal court matters.

Contractor Deposit - To account for the receipt of refundable deposits required of individuals who perform construction electrical work, plumbing, sewer or HVAC work. The deposit is to guarantee that the work will be performed and inspected according to City Code.

Recreation Scholarship - To account for funds solicited to be used for the purpose of providing financial aid and/or services to assist disadvantaged youth who otherwise could not afford to participate in various Recreation Department programs. The scholarship program is a non-profit corporation established under the authority of section 501(c) of the Internal Revenue Service Code.

continued

Combining Statements – Agency Funds (continued)

Shaker Family Center at Sussex - To account for assets held by the City as fiscal agent for the Shaker Family Resource Center, Inc. The purpose of this non-profit corporation is to enhance the quality of life for families with young children in the Shaker Heights City School District by providing educational, social, recreational and support programs and services.

Board of Building Standards - To account for state mandated fees collected by the City's Building Department relating to the acceptance, review and approval of building plans and specifications. An amount equal to 3% of fees imposed must be remitted on a monthly basis to the State of Ohio Department of Industrial Relations.

The First Suburbs Consortium Council - To account for assets held by the City as fiscal agent for the First Suburbs Consortium Council. The purpose of this non-profit is to provide organizational status in cooperative efforts between the member-municipalities of the Council in matters of mutual concern, including but not limited to initiation and support of policies and practices which protect, maintain and redevelop mature communities and other matters which affect health, safety, welfare, education, economic conditions and regional development.

CITY OF SHAKER HEIGHTS, OHIO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2003

	Balance December 31, 2002	Additions	Deductions	Balance December 31, 2003
<u>Obstruction Permit Deposit Fund</u>				
Assets				
Equity In Pooled Cash and Cash Equivale	\$40,876	\$13,580	\$6,600	\$47,856
Liabilities				
Deposits Held and Due To Others	\$40,876	\$13,580	\$6,600	\$47,856
<u>Excavating Permit Deposit Fund</u>				
Assets				
Equity In Pooled Cash and Cash Equivale	\$7,655	\$1,020	\$0	\$8,675
Liabilities				
Deposits Held and Due To Others	\$7,655	\$1,020	\$0	\$8,675
<u>Unclaimed Monies Fund</u>				
Assets				
Equity In Pooled Cash and Cash Equivale	\$267,935	\$133,644	\$212,664	\$188,915
Liabilities				
Deposits Held and Due To Others	\$267,935	\$133,644	\$212,664	\$188,915
<u>Fund for The Future of Shaker Heights</u>				
Assets				
Equity In Pooled Cash and Cash Equivale	\$278,489	\$276,294	\$73,547	\$481,236
Mortgage Loans Receivable	757,012	60,171	227,929	589,254
Total Assets	\$1,035,501	\$336,465	\$301,476	\$1,070,490
Liabilities				
Deposits Held and Due To Others	\$1,035,501	\$336,465	\$301,476	\$1,070,490
<u>Municipal Court</u>				
Assets				
Cash and Cash Equivalents in Segregated Accounts	\$443,485	\$3,227,129	\$3,221,197	\$449,417
Liabilities				
Intergovernmental Payable	\$212,375	\$2,534,440	\$2,541,979	\$204,836
Deposits Held and Due To Others	231,110	692,689	679,218	244,581
Total Liabilities	\$443,485	\$3,227,129	\$3,221,197	\$449,417
<u>Contractor Deposit Fund</u>				
Assets				
Equity In Pooled Cash and Cash Equivale	\$141,450	\$0	\$0	\$141,450
Liabilities				
Deposits Held and Due To Others	\$141,450	\$0	\$0	\$141,450

continued

CITY OF SHAKER HEIGHTS, OHIO
Combining Statement of Changes in Assets and Liabilities - continued
Agency Funds
For the Year Ended December 31, 2003

	Balance December 31, 2002	Additions	Deductions	Balance December 31, 2003
Recreation Scholarship Fund				
Assets				
Equity In Pooled Cash and Cash Equivalents	\$29,494	\$8,017	\$5,685	\$31,826
Liabilities				
Deposits Held and Due To Others	\$29,494	\$8,017	\$5,685	\$31,826
Shaker Family Resource Center				
Assets				
Equity In Pooled Cash and Cash Equivalents	\$14,955	\$539,811	\$507,177	\$47,589
Liabilities				
Deposits Held and Due To Others	\$14,955	\$539,811	\$507,177	\$47,589
Board of Building Standards				
Assets				
Equity In Pooled Cash and Cash Equivalents	\$14	\$1,356	\$698	\$672
Liabilities				
Intergovernmental Payable	\$14	\$1,356	\$698	\$672
First Suburbs Consortium Council				
Assets				
Equity In Pooled Cash and Cash Equivalents	\$270,696	\$151,478	\$229,406	\$192,768
Liabilities				
Intergovernmental Payable	\$270,696	\$151,478	\$229,406	\$192,768
Total - All Agency Funds				
Assets				
Equity In Pooled Cash and Cash Equivalents	\$1,051,564	\$1,125,200	\$1,035,777	\$1,140,987
Cash and Cash Equivalents in Segregated Accounts	443,485	3,227,129	3,221,197	449,417
Mortgage Loans Receivable	757,012	60,171	227,929	589,254
Total Assets	\$2,252,061	\$4,412,500	\$4,484,903	\$2,179,658
Liabilities				
Intergovernmental Payable	\$483,085	\$2,687,274	\$2,772,083	\$398,276
Deposits Held and Due To Others	1,768,976	1,725,226	1,712,820	1,781,382
Total Liabilities	\$2,252,061	\$4,412,500	\$4,484,903	\$2,179,658

**Individual Fund Schedules of Revenues, Expenditures/Expenses
And Changes in Fund Balances – Budget (Non GAAP Basis) and Actual**

CITY OF SHAKER HEIGHTS, OHIO

General Fund

**Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$6,009,200	\$6,009,200	\$5,997,592	(\$11,608)
Municipal Income Taxes	18,866,900	23,764,900	24,215,535	450,635
Other Local Taxes	55,000	60,000	54,350	(5,650)
State Levied Shared Taxes	1,182,094	1,561,000	1,532,970	(28,030)
Intergovernmental	1,107,800	1,213,600	1,251,263	37,663
Charges for Services	4,413,900	4,453,650	4,427,714	(25,936)
Fees, Licenses and Permits	377,350	485,450	631,653	146,203
Investment Earnings	725,000	725,000	487,677	(237,323)
Fines and Forfeitures	625,000	625,500	613,098	(12,402)
Other Revenues	711,600	855,300	819,281	(36,019)
Total Revenues	34,073,844	39,753,600	40,031,133	277,533
Expenditures				
Current:				
Security of Persons and Property:				
Police				
Personal Services	7,417,700	7,417,700	7,202,690	215,010
Other	881,600	881,600	856,221	25,379
Total Police	8,299,300	8,299,300	8,058,911	240,389
Fire				
Personal Services	5,188,500	5,188,500	5,259,061	(70,561)
Other	431,200	431,200	403,204	27,996
Total Fire	5,619,700	5,619,700	5,662,265	(42,565)
Other				
Personal Services	98,100	98,100	101,211	(3,111)
Other	113,500	113,500	101,236	12,264
Total Other	211,600	211,600	202,447	9,153
Total Security of Persons and Property	14,130,600	14,130,600	13,923,623	206,977
Public Health Services				
Personal Services	293,400	293,400	288,082	5,318
Other	218,500	244,500	244,008	492
Total Public Health Services	511,900	537,900	532,090	5,810
Leisure Time Activities:				
Culture and Recreation				
Personal Services	2,196,500	2,196,500	2,174,301	22,199
Other	1,064,300	1,064,300	978,556	85,744
Total Culture and Recreation	3,260,800	3,260,800	3,152,857	107,943
Parks and Public Lands Maintenance				
Personal Services	332,200	332,200	352,816	(20,616)
Other	273,500	273,500	243,603	29,897
Total Parks and Public Lands Maintenance	605,700	605,700	596,419	9,281
Total Leisure Time Activities	3,866,500	3,866,500	3,749,276	117,224

continued

CITY OF SHAKER HEIGHTS, OHIO

General Fund

**Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - continued
For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Housing and Community Development:				
Housing				
Personal Services	646,500	646,500	586,703	59,797
Other	38,100	38,100	25,719	12,381
Total Housing	<u>684,600</u>	<u>684,600</u>	<u>612,422</u>	<u>72,178</u>
Building				
Personal Services	438,600	438,600	405,030	33,570
Other	59,200	59,200	51,912	7,288
Total Building	<u>497,800</u>	<u>497,800</u>	<u>456,942</u>	<u>40,858</u>
Planning and Development				
Personal Services	423,900	423,900	415,154	8,746
Other	75,500	75,500	50,075	25,425
Total Planning and Development	<u>499,400</u>	<u>499,400</u>	<u>465,229</u>	<u>34,171</u>
Neighborhood Revitalization				
Personal Services	623,500	592,800	568,020	24,780
Other	30,800	30,800	18,093	12,707
Total Neighborhood Revitalization	<u>654,300</u>	<u>623,600</u>	<u>586,113</u>	<u>37,487</u>
Community Life				
Personal Services	498,400	498,400	468,254	30,146
Other	88,200	88,200	106,139	(17,939)
Total Community Life	<u>586,600</u>	<u>586,600</u>	<u>574,393</u>	<u>12,207</u>
Communication and Outreach				
Personal Services	438,200	438,200	399,495	38,705
Other	437,200	437,200	321,905	115,295
Total Communication and Outreach	<u>875,400</u>	<u>875,400</u>	<u>721,400</u>	<u>154,000</u>
Tree Maintenance and Leaf Collection				
Personal Services	295,900	295,900	238,701	57,199
Other	177,000	177,000	151,383	25,617
Total Tree Maintenance and Leaf Collecti	<u>472,900</u>	<u>472,900</u>	<u>390,084</u>	<u>82,816</u>
Total Housing and Community Development	<u>4,271,000</u>	<u>4,240,300</u>	<u>3,806,583</u>	<u>433,717</u>
Sitation and Sewer Services:				
Sewer Maintenance				
Personal Services	0	0	1,612	(1,612)
Other	38,700	38,700	28,986	9,714
Total Sewer Maintenance	<u>38,700</u>	<u>38,700</u>	<u>30,598</u>	<u>8,102</u>
Refuse Collection and Disposal				
Personal Services	1,194,400	1,194,400	1,268,153	(73,753)
Other	1,012,100	1,012,100	976,380	35,720
Total Refuse Collection and Disposal	<u>2,206,500</u>	<u>2,206,500</u>	<u>2,244,533</u>	<u>(38,033)</u>

continued

CITY OF SHAKER HEIGHTS, OHIO

General Fund

**Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - continued
For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recycling				
Personal Services	58,900	58,900	63,569	(4,669)
Other	14,500	14,500	29,865	(15,365)
Total Recycling	<u>73,400</u>	<u>73,400</u>	<u>93,434</u>	<u>(20,034)</u>
Brush Collection and Disposal				
Personal Services	325,900	325,900	321,682	4,218
Other	174,000	174,000	160,663	13,337
Brush Collection and Disposal	<u>499,900</u>	<u>499,900</u>	<u>482,345</u>	<u>17,555</u>
Total Saitation and Sewer Services	<u>2,818,500</u>	<u>2,818,500</u>	<u>2,850,910</u>	<u>(32,410)</u>
Street Maintenance and Repair				
Personal Services	273,900	273,900	320,387	(46,487)
Other	432,300	432,300	512,072	(79,772)
Total Street Maintenance and Repair	<u>706,200</u>	<u>706,200</u>	<u>832,459</u>	<u>(126,259)</u>
Public Works - Other				
Public Works Administration				
Personal Services	624,900	624,900	488,126	136,774
Other	124,000	124,000	71,816	52,184
Total Public Works Administration	<u>748,900</u>	<u>748,900</u>	<u>559,942</u>	<u>188,958</u>
Public Building Maintenance				
Personal Services	488,100	488,100	507,909	(19,809)
Other	647,300	647,300	639,788	7,512
Total Public Building Maintenance	<u>1,135,400</u>	<u>1,135,400</u>	<u>1,147,697</u>	<u>(12,297)</u>
Total Public Works - Other	<u>1,884,300</u>	<u>1,884,300</u>	<u>1,707,639</u>	<u>176,661</u>
Legislative and Executive:				
Mayor's Office				
Personal Services	147,000	147,000	143,822	3,178
Other	31,500	31,500	17,248	14,252
Total Mayor's Office	<u>178,500</u>	<u>178,500</u>	<u>161,070</u>	<u>17,430</u>
Council				
Personal Services	105,000	105,000	106,160	(1,160)
Other	21,400	21,400	11,784	9,616
Total Council	<u>126,400</u>	<u>126,400</u>	<u>117,944</u>	<u>8,456</u>
Chief Administrative Officer				
Personal Services	213,700	213,700	206,935	6,765
Other	16,200	16,200	9,042	7,158
Total Chief Administrative Officer	<u>229,900</u>	<u>229,900</u>	<u>215,977</u>	<u>13,923</u>
Finance				
Personal Services	627,600	627,600	620,199	7,401
Other	142,600	142,600	128,167	14,433
Total Finance	<u>770,200</u>	<u>770,200</u>	<u>748,366</u>	<u>21,834</u>

continued

CITY OF SHAKER HEIGHTS, OHIO

General Fund

**Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - continued
For the Year Ended December 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Human Resources				
Personal Services	308,100	308,100	256,582	51,518
Other	162,600	162,600	108,213	54,387
Total Human Resources	<u>470,700</u>	<u>470,700</u>	<u>364,795</u>	<u>105,905</u>
Law				
Personal Services	388,400	388,400	328,802	59,598
Other	174,500	174,500	286,730	(112,230)
Total Law	<u>562,900</u>	<u>562,900</u>	<u>615,532</u>	<u>(52,632)</u>
Information Technology				
Personal Services	220,500	220,500	171,058	49,442
Other	230,500	230,500	214,449	16,051
Total Information Technology	<u>451,000</u>	<u>451,000</u>	<u>385,507</u>	<u>65,493</u>
Contract Charges and Statutory Expenses				
Personal Services	70,000	70,000	40,354	29,646
Other	1,511,500	1,319,994	1,442,618	(122,624)
Total Contract Charges and Statutory Exp	<u>1,581,500</u>	<u>1,389,994</u>	<u>1,482,972</u>	<u>(92,978)</u>
Total Legislative and Executive:	<u>4,371,100</u>	<u>4,179,594</u>	<u>4,092,163</u>	<u>87,431</u>
Judicial System				
Personal Services	1,565,800	1,565,800	1,516,874	48,926
Other	101,000	101,000	89,112	11,888
Total Judicial System	<u>1,666,800</u>	<u>1,666,800</u>	<u>1,605,986</u>	<u>60,814</u>
Total Expenditures	<u>34,226,900</u>	<u>34,030,694</u>	<u>33,100,729</u>	<u>929,965</u>
Excess of Revenues Over (Under) Expenditu	<u>(153,056)</u>	<u>5,722,906</u>	<u>6,930,404</u>	<u>1,207,498</u>
Other Financing Sources (Uses)				
Transfers In	5,000	38,200	36,090	(2,110)
Transfers Out	(6,576,900)	(6,619,106)	(6,614,106)	5,000
Advances In	0	173,564	173,527	(37)
Advances Out	(10,000)	(120,000)	(120,000)	0
Total Other Financing Sources (Uses)	<u>(6,581,900)</u>	<u>(6,527,342)</u>	<u>(6,524,489)</u>	<u>2,853</u>
Net Change in Fund Balance	<u>(6,734,956)</u>	<u>(804,436)</u>	<u>405,915</u>	<u>1,210,351</u>
Beginning Cash Fund Balance	8,439,148	8,439,148	8,439,148	0
Prior Year's Reserve For Encumbrances				
Outstanding At December 31	(41,966)	(41,966)	(41,966)	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(805,548)</u>	<u>(805,548)</u>	<u>(652,435)</u>	<u>153,113</u>
Ending Unreserved Cash Fund Balance	<u>\$856,678</u>	<u>\$6,787,198</u>	<u>8,150,662</u>	<u>\$1,363,464</u>
Reserved for Encumbrances - All Budget Years			<u>1,039,800</u>	
Total Cash Fund Balance - December 31			<u>\$9,190,462</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Street Repair and Maintenance Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
State Levied Shared Taxes	\$778,800	\$780,800	\$792,177	\$11,377
Other Revenues	0	0	1,500	1,500
Total Revenues	<u>778,800</u>	<u>780,800</u>	<u>793,677</u>	<u>12,877</u>
Expenditures				
Current:				
Street Maintenance and Repair	<u>874,900</u>	<u>1,199,900</u>	<u>1,065,683</u>	<u>134,217</u>
Excess of Revenues Under Expenditures	(96,100)	(419,100)	(272,006)	147,094
Other Financing Sources				
Transfers In	<u>131,800</u>	<u>131,800</u>	<u>131,800</u>	<u>0</u>
Net Change in Fund Balance	35,700	(287,300)	(140,206)	147,094
Beginning Cash Fund Balance	488,228	488,228	488,228	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	(14,300)	(14,300)	(14,300)	0
Current Year Cash Expenditures Against Prior Year's Cash Fund Balance Reserved For Encumbrance	<u>(44,147)</u>	<u>(44,147)</u>	<u>(43,365)</u>	<u>782</u>
Ending Unreserved Cash Fund Balance	<u>\$465,481</u>	<u>\$142,481</u>	290,357	<u>\$147,876</u>
Reserved for Encumbrances - All Budget Years			<u>147,019</u>	
Total Cash Fund Balance - December 31			<u>\$437,376</u>	

CITY OF SHAKER HEIGHTS, OHIO

Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
State Highway Maintenance Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
State Levied Shared Taxes	\$50,400	\$49,100	\$50,202	\$1,102
Investment Earnings	2,000	2,000	1,359	(641)
Other Revenues	0	0	135	135
Total Revenues	<u>52,400</u>	<u>51,100</u>	<u>51,696</u>	<u>596</u>
Expenditures				
Current:				
Street Maintenance and Repair	<u>100,600</u>	<u>100,600</u>	<u>89,219</u>	<u>11,381</u>
Net Change in Fund Balance	(48,200)	(49,500)	(37,523)	11,977
Beginning Cash Fund Balance	96,446	96,446	96,446	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(5,103)</u>	<u>(5,103)</u>	<u>(908)</u>	<u>4,195</u>
Ending Unreserved Cash Fund Balance	<u>\$43,143</u>	<u>\$41,843</u>	58,015	<u>\$16,172</u>
Reserved for Encumbrances -				
All Budget Years			<u>15,280</u>	
Total Cash Fund Balance - December 31			<u>\$73,295</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Economic Development Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
Current:				
Housing and Community Development	\$0	\$50,000	\$50,000	\$0
Other Financing Sources				
Transfers In	0	1,000,000	1,000,000	0
Net Change in Fund Balance	0	950,000	950,000	0
Beginning Cash Fund Balance	0	0	0	0
Ending Unreserved Cash Fund Balance	<u>\$0</u>	<u>\$950,000</u>	950,000	<u>\$0</u>
Reserved for Encumbrances - All Budget Years			50,000	
Total Cash Fund Balance - December 31			<u>\$1,000,000</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Sewer Maintenance Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$147,600	\$147,600	\$1,169	(\$146,431)
Special Assessments	2,000	2,000	2,020	20
Charges for Services	1,800,300	1,690,000	1,406,599	(283,401)
Investment Earnings	100,000	100,000	92,786	(7,214)
Other Revenues	0	0	5,399	5,399
Total Revenues	<u>2,049,900</u>	<u>1,939,600</u>	<u>1,507,973</u>	<u>(431,627)</u>
Expenditures				
Current:				
Sanitation and Sewer Services	1,198,400	1,294,400	652,400	642,000
General Government:				
Legislative and Executive	<u>131,200</u>	<u>131,200</u>	<u>144,735</u>	<u>(13,535)</u>
Total Expenditures	<u>1,329,600</u>	<u>1,425,600</u>	<u>797,135</u>	<u>628,465</u>
Excess of Revenues Over Expenditures	720,300	514,000	710,838	196,838
Other Financing Uses				
Transfers Out	<u>(40,400)</u>	<u>(2,484,000)</u>	<u>(2,483,975)</u>	<u>25</u>
Net Change in Fund Balance	679,900	(1,970,000)	(1,773,137)	196,863
Beginning Cash Fund Balance	4,097,711	4,097,711	4,097,711	0
Prior Year's Reserve For Encumbrances				
Outstanding At December 31	(27,663)	(27,663)	(27,663)	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(29,695)</u>	<u>(29,695)</u>	<u>(29,402)</u>	<u>293</u>
Ending Unreserved Cash Fund Balance	<u>\$4,720,253</u>	<u>\$2,070,353</u>	2,267,509	<u>\$197,156</u>
Reserved for Encumbrances -				
All Budget Years			<u>96,334</u>	
Total Cash Fund Balance - December 31			<u>\$2,363,843</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$193,819	\$193,819	\$193,518	(\$301)
Intergovernmental	26,400	26,400	25,715	(685)
Total Revenues	<u>220,219</u>	<u>220,219</u>	219,233	(986)
Expenditures				
Current:				
Security of Persons and Property - Police	<u>919,016</u>	<u>921,259</u>	<u>880,663</u>	<u>40,596</u>
Excess of Revenues Under Expenditures	(698,797)	(701,040)	(661,430)	39,610
Other Financing Sources				
Transfers In	<u>888,800</u>	<u>663,759</u>	<u>651,954</u>	<u>(11,805)</u>
Net Change in Fund Balance	190,003	(37,281)	(9,476)	27,805
Beginning Cash Fund Balance	466,053	466,053	466,053	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	(7,655)	(7,655)	(7,655)	0
Current Year Cash Expenditures Against Prior Year's Cash Fund Balance Reserved For Encumbrance	<u>(240,898)</u>	<u>(240,898)</u>	<u>(240,898)</u>	<u>0</u>
Ending Unreserved Cash Fund Balance	<u>\$407,503</u>	<u>\$180,219</u>	208,024	<u>\$27,805</u>
Reserved for Encumbrances - All Budget Years			<u>246,955</u>	
Total Cash Fund Balance - December 31			<u>\$454,979</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Fire Pension Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$193,819	\$193,819	\$193,518	(\$301)
Intergovernmental	26,400	26,400	25,716	(684)
Total Revenues	<u>220,219</u>	<u>220,219</u>	219,234	(985)
Expenditures				
Current:				
Security of Persons and Property - Fire	<u>1,012,300</u>	<u>1,030,000</u>	<u>1,027,019</u>	<u>2,981</u>
Excess of Revenues Under Expenditures	(792,081)	(809,781)	(807,785)	1,996
Other Financing Sources				
Transfers In	<u>943,100</u>	<u>775,700</u>	<u>775,727</u>	<u>27</u>
Net Change in Fund Balance	151,019	(34,081)	(32,058)	2,023
Beginning Cash Fund Balance	410,338	410,338	410,338	0
Current Year Cash Expenditures Against Prior Year's Cash Fund Balance Reserved For Encumbrance	<u>(278,339)</u>	<u>(278,339)</u>	<u>(278,339)</u>	<u>0</u>
Ending Unreserved Cash Fund Balance	<u>\$283,018</u>	<u>\$97,918</u>	99,941	<u>\$2,023</u>
Reserved for Encumbrances - All Budget Years			<u>276,439</u>	
Total Cash Fund Balance - December 31			<u>\$376,380</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Indigent Driver Alcohol Treatment Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental	\$9,000	\$9,000	\$7,340	(\$1,660)
Investment Earnings	700	700	589	(111)
Total Revenues	<u>9,700</u>	<u>9,700</u>	<u>7,929</u>	<u>(1,771)</u>
Expenditures				
Current:				
General Government:				
Judicial System	<u>9,000</u>	<u>9,000</u>	<u>2,905</u>	<u>6,095</u>
Net Change in Fund Balance	700	700	5,024	4,324
Beginning Cash Fund Balance	<u>24,990</u>	<u>24,990</u>	<u>24,990</u>	<u>0</u>
Total Cash Fund Balance - December 31	<u><u>\$25,690</u></u>	<u><u>\$25,690</u></u>	<u><u>\$30,014</u></u>	<u><u>\$4,324</u></u>

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Court Computer Legal Research Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$15,600	\$22,100	\$10,300	(\$11,800)
Investment Earnings	3,000	3,000	2,587	(413)
Fines and Forfeitures	40,000	40,000	34,011	(5,989)
Other Revenue	0	0	267	267
Total Revenues	<u>58,600</u>	<u>65,100</u>	<u>47,165</u>	<u>(17,935)</u>
Expenditures				
Current:				
General Government:				
Judicial System	<u>63,800</u>	<u>63,800</u>	<u>18,188</u>	<u>45,612</u>
Net Change in Fund Balance	(5,200)	1,300	28,977	27,677
Beginning Cash Fund Balance	110,936	110,936	110,936	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(299)</u>	<u>(299)</u>	<u>(299)</u>	<u>0</u>
Ending Unreserved Cash Fund Balance	<u>\$105,437</u>	<u>\$111,937</u>	139,614	<u>\$27,677</u>
Reserved for Encumbrances -				
All Budget Years			<u>187</u>	
Total Cash Fund Balance - December 31			<u>\$139,801</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Clerk's Computerization Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$5,000	\$5,000	\$2,259	(\$2,741)
Fines and Forfeitures	116,100	115,000	113,211	(1,789)
Other Revenue	0	0	955	955
Total Revenues	<u>121,100</u>	<u>120,000</u>	<u>116,425</u>	<u>(3,575)</u>
Expenditures				
Current:				
General Government:				
Judicial System	<u>171,800</u>	<u>176,000</u>	<u>173,676</u>	<u>2,324</u>
Net Change in Fund Balance	(50,700)	(56,000)	(57,251)	(1,251)
Beginning Cash Fund Balance	125,525	125,525	125,525	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	(16,000)	(16,000)	(16,000)	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(6,970)</u>	<u>(6,970)</u>	<u>(6,970)</u>	<u>0</u>
Ending Unreserved Cash Fund Balance	<u>\$51,855</u>	<u>\$46,555</u>	45,304	<u>(\$1,251)</u>
Reserved for Encumbrances -				
All Budget Years			<u>26,429</u>	
Total Cash Fund Balance - December 31			<u>\$71,733</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Exterior Home Maintenance Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$115,000	\$68,846	(\$46,154)
Expenditures				
Current:				
Housing and Community Development	45,599	131,299	110,307	20,992
Excess of Revenues Under Expenditures	(45,599)	(16,299)	(41,461)	(25,162)
Other Financing Sources (Uses)				
Transfers In	0	30,700	30,700	0
Advances In	0	55,000	55,000	0
Advances Out	(41,570)	(96,570)	(52,879)	43,691
Total Other Financing Sources (Uses)	(41,570)	(10,870)	32,821	43,691
Net Change in Fund Balance	(87,169)	(27,169)	(8,640)	18,529
Beginning Cash Fund Balance	28,200	28,200	28,200	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	(1,031)	(1,031)	(1,031)	0
Ending Unreserved Cash Fund Balance	(\$60,000)	\$0	18,529	\$18,529
Reserved for Encumbrances -				
All Budget Years			8,905	
Total Cash Fund Balance - December 31			\$27,434	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Fair Housing Grant Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$118,600	\$125,400	\$6,800
Investment Earnings	5,000	5,000	5,259	259
Other Revenue	0	0	18	18
Total Revenues	5,000	123,600	130,677	7,077
Expenditures				
Current:				
General Government:				
Legislative and Executive	80,000	115,000	41,238	73,762
Net Change in Fund Balance	(75,000)	8,600	89,439	80,839
Beginning Cash Fund Balance	177,286	177,286	177,286	0
Ending Unreserved Cash Fund Balance	<u>\$102,286</u>	<u>\$185,886</u>	266,725	<u>\$80,839</u>
Reserved for Encumbrances -				
All Budget Years			742	
Total Cash Fund Balance - December 31			<u>\$267,467</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Community Preservation Partnership Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Charges for Services	\$0	\$0	\$9,835	\$9,835
Special Assessments	50,000	43,700	29,678	(14,022)
Total Revenues	<u>50,000</u>	<u>43,700</u>	39,513	(4,187)
Expenditures				
Current:				
Housing and Community Development	<u>902,630</u>	<u>902,630</u>	369,320	<u>533,310</u>
Excess of Revenues Under Expenditures	<u>(852,630)</u>	<u>(858,930)</u>	<u>(329,807)</u>	<u>529,123</u>
Other Financing Sources				
Transfers In	<u>475,000</u>	<u>475,000</u>	475,000	<u>0</u>
Net Change in Fund Balance	(377,630)	(383,930)	145,193	529,123
Beginning Cash Fund Balance	527,032	527,032	527,032	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	(3,816)	(3,816)	(3,816)	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund Balance Reserved For Encumbrance	<u>(50,342)</u>	<u>(50,342)</u>	<u>(37,225)</u>	<u>13,117</u>
Ending Unreserved Cash Fund Balance	<u>\$95,244</u>	<u>\$88,944</u>	631,184	<u>\$542,240</u>
Reserved for Encumbrances - All Budget Years			<u>39,474</u>	
Total Cash Fund Balance - December 31			<u>\$670,658</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Law Enforcement Grants Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$12,000	\$48,857	\$23,833	(\$25,024)
Investment Earnings	0	0	555	555
Total Revenues	12,000	48,857	24,388	(24,469)
Expenditures				
Current:				
Security of Persons and Property Police	41,342	83,215	11,744	71,471
Excess of Revenues Over (Under) Expenditures	(29,342)	(34,358)	12,644	47,002
Other Financing Sources (Uses)				
Transfers In	0	7,259	1,920	(5,339)
Transfers Out	(8,636)	(10,879)	(1,434)	9,445
Total Other Financing Sources (Uses)	(8,636)	(3,620)	486	4,106
Net Change in Fund Balance	(37,978)	(37,978)	13,130	51,108
Beginning Cash Fund Balance	38,060	38,060	38,060	0
Current Year Cash Expenditures Against Prior Year's Cash Fund Balance Reserved For Encumbrance				
	(82)	(82)	(82)	0
Ending Unreserved Cash Fund Balance	\$0	\$0	51,108	\$51,108
Reserved for Encumbrances - All Budget Years				
Total Cash Fund Balance - December 31			112	
			\$51,220	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Court Community Service Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$5,100	\$6,000	\$7,126	\$1,126
Investment Earnings	300	300	337	37
Total Revenues	<u>5,400</u>	<u>6,300</u>	<u>7,463</u>	<u>1,163</u>
Expenditures				
Current:				
General Government:				
Judicial System	<u>5,000</u>	<u>5,000</u>	<u>3,640</u>	<u>1,360</u>
Net Change in Fund Balance	400	1,300	3,823	2,523
Beginning Cash Fund Balance	14,024	14,024	14,024	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(303)</u>	<u>(303)</u>	<u>(303)</u>	<u>0</u>
Ending Unreserved Cash Fund Balance	<u>\$14,121</u>	<u>\$15,021</u>	17,544	<u>\$2,523</u>
Reserved for Encumbrances -				
All Budget Years			<u>303</u>	
Total Cash Fund Balance - December 31			<u>\$17,847</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Court Alternate Dispute Resolution Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$35,500	\$40,000	\$41,940	\$1,940
Investment Earnings	700	700	714	14
Other Revenue	0	0	410	410
Total Revenues	<u>36,200</u>	<u>40,700</u>	<u>43,064</u>	<u>2,364</u>
Expenditures				
Current:				
General Government:				
Judicial System	<u>35,500</u>	<u>35,500</u>	<u>34,805</u>	<u>695</u>
Net Change in Fund Balance	700	5,200	8,259	3,059
Beginning Cash Fund Balance	29,162	29,162	29,162	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(881)</u>	<u>(881)</u>	<u>(881)</u>	<u>0</u>
Ending Unreserved Cash Fund Balance	<u>\$28,981</u>	<u>\$33,481</u>	36,540	<u>\$3,059</u>
Reserved for Encumbrances -				
All Budget Years			<u>933</u>	
Total Cash Fund Balance - December 31			<u>\$37,473</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Ohio Court Security Grant Project Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Investment Earnings	\$0	\$0	\$1,063	\$1,063
Other Revenue	100	100	48	(52)
Total Revenues	<u>100</u>	<u>100</u>	<u>1,111</u>	<u>1,011</u>
Expenditures				
Current:				
General Government:				
Judicial System	<u>4,011</u>	<u>4,011</u>	<u>4,056</u>	<u>(45)</u>
Net Change in Fund Balance	(3,911)	(3,911)	(2,945)	966
Beginning Cash Fund Balance	4,331	4,331	4,331	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	<u>(320)</u>	<u>(320)</u>	<u>0</u>	<u>320</u>
Total Cash Fund Balance - December 31	<u><u>\$100</u></u>	<u><u>\$100</u></u>	<u><u>\$1,386</u></u>	<u><u>\$1,286</u></u>

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
High Intensity Drug Trafficking Area Grant Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$3,093,700	\$3,093,700	\$2,575,137	(\$518,563)
Expenditures				
Current:				
Security of Persons and Property				
Police	2,601,285	2,601,285	2,064,908	536,377
Excess of Revenues Over Expenditures	492,415	492,415	510,229	17,814
Other Financing Sources (Uses)				
Advances In	200,000	200,000	0	(200,000)
Advances Out	(592,415)	(592,415)	(492,377)	100,038
Total Other Financing Sources (Uses)	(392,415)	(392,415)	(492,377)	(99,962)
Net Change in Fund Balance	100,000	100,000	17,852	(82,148)
Beginning Cash Fund Balance	8,319	8,319	8,319	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Balance Reserved For Encumbrance	(8,319)	(8,319)	(8,315)	4
Ending Unreserved Cash Fund Balance	\$100,000	\$100,000	17,856	(\$82,144)
Reserved for Encumbrances -				
All Budget Years			10,990	
Total Cash Fund Balance - December 31			<u>\$28,846</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Drug Free Community Grant Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$108,915	\$108,915	\$98,343	(\$10,572)
Expenditures				
Current:				
Public Health Services	103,663	103,663	96,601	7,062
Excess of Revenues Over Expenditures	5,252	5,252	1,742	(3,510)
Other Financing Sources (Uses)				
Advances In	0	10,000	10,000	0
Advances Out	(5,264)	(5,264)	(5,264)	0
Total Other Financing Sources (Uses)	(5,264)	4,736	4,736	0
Net Change in Fund Balance	(12)	9,988	6,478	(3,510)
Beginning Cash Fund Balance	1,617	1,617	1,617	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund Balance Reserved For Encumbrance	(1,605)	(1,605)	(1,605)	0
Ending Unreserved Cash Fund Balance	\$0	\$10,000	6,490	(\$3,510)
Reserved for Encumbrances - All Budget Years			2,350	
Total Cash Fund Balance - December 31			<u>\$8,840</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Street Lighting Special Assessment Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	<u>\$571,200</u>	<u>\$571,200</u>	<u>\$553,554</u>	<u>(\$17,646)</u>
Expenditures				
Current:				
Security of Persons and Property				
Other	<u>594,800</u>	<u>594,800</u>	<u>511,253</u>	<u>83,547</u>
Excess of Revenues Over (Under) Expenditures	<u>(23,600)</u>	<u>(23,600)</u>	<u>42,301</u>	<u>65,901</u>
Other Financing Sources				
Transfers In	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Net Change in Fund Balance	<u>(11,600)</u>	<u>(11,600)</u>	<u>54,301</u>	<u>65,901</u>
Beginning Cash Fund Balance	128,897	128,897	128,897	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	<u>(1,143)</u>	<u>(1,143)</u>	<u>(1,143)</u>	<u>0</u>
Ending Unreserved Cash Fund Balance	<u>\$116,154</u>	<u>\$116,154</u>	182,055	<u>\$65,901</u>
Reserved for Encumbrances - All Budget Years			<u>2,943</u>	
Total Cash Fund Balance - December 31			<u>\$184,998</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Tree Maintenance Special Assessment Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$825,000	\$784,000	\$761,769	(\$22,231)
Charges for Services	0	0	15,500	15,500
Other Revenue	0	0	12,095	12,095
Total Revenue	<u>825,000</u>	<u>784,000</u>	<u>789,364</u>	<u>5,364</u>
Expenditures				
Current:				
Housing and Community Development	<u>806,200</u>	<u>806,200</u>	<u>691,786</u>	<u>114,414</u>
Net Change in Fund Balance	18,800	(22,200)	97,578	119,778
Beginning Cash Fund Balance	418,385	418,385	418,385	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	(9,778)	(9,778)	(9,778)	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund Balance Reserved For Encumbrance	<u>(59,147)</u>	<u>(59,147)</u>	<u>(55,672)</u>	<u>3,475</u>
Ending Unreserved Cash Fund Balance	<u>\$368,260</u>	<u>\$327,260</u>	450,513	<u>\$123,253</u>
Reserved for Encumbrances - All Budget Years			<u>104,626</u>	
Total Cash Fund Balance - December 31			<u>\$555,139</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Central Services Operations Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$673,800	\$945,082	\$340,170	(\$604,912)
Other Revenues	4,000	4,000	6,410	2,410
Total Revenues	<u>677,800</u>	<u>949,082</u>	<u>346,580</u>	<u>(602,502)</u>
Expenditures				
Current:				
Public Works - Other	794,900	794,900	636,898	158,002
General Government:				
Legislative and Executive	135,395	135,395	127,611	7,784
Total Expenditures	<u>930,295</u>	<u>930,295</u>	<u>764,509</u>	<u>165,786</u>
Excess of Revenues (Under) Over Expenditures	(252,495)	18,787	(417,929)	(436,716)
Other Financing Sources (Uses)				
Transfers Out	(600)	(600)	(627)	(27)
Advances In	0	100,000	100,000	0
Total Other Financing Sources (Uses)	<u>(600)</u>	<u>99,400</u>	<u>99,373</u>	<u>(27)</u>
Net Change in Fund Balance	(253,095)	118,187	(318,556)	(436,743)
Beginning Cash Fund Balance	450,486	450,486	450,486	0
Current Year Cash Expenditures Against Prior Year's Cash Fund Balance Reserved For Encumbrance	<u>(88,867)</u>	<u>(88,867)</u>	<u>(34,676)</u>	<u>54,191</u>
Ending Unreserved Cash Fund Balance	<u>\$108,524</u>	<u>\$479,806</u>	97,254	<u>(\$382,552)</u>
Reserved for Encumbrances - All Budget Years			<u>193,892</u>	
Total Cash Fund Balance - December 31			<u>\$291,146</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Law Enforcement Trust Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$0	\$13,000	\$12,727	(\$273)
Fines and Forfeitures	50,000	255,120	256,765	1,645
Other Revenues	0	2,000	1,683	(317)
Total Revenues	<u>50,000</u>	<u>270,120</u>	<u>271,175</u>	<u>1,055</u>
Expenditures				
Current:				
Security of Persons and Property Police	<u>0</u>	<u>0</u>	<u>60,235</u>	<u>(60,235)</u>
Excess of Revenues Over Expenditures	50,000	270,120	210,940	(59,180)
Other Financing Sources (Uses)				
Transfers Out	(5,000)	(12,259)	(2,640)	9,619
Advances In	324,115	324,115	324,115	0
Advances Out	<u>(100,000)</u>	<u>(200,000)</u>	<u>0</u>	<u>200,000</u>
Total Other Financing Sources (Uses)	<u>219,115</u>	<u>111,856</u>	<u>321,475</u>	<u>209,619</u>
Net Change in Fund Balance	269,115	381,976	532,415	150,439
Beginning Cash Fund Balance	<u>2,183</u>	<u>2,183</u>	<u>2,183</u>	<u>0</u>
Ending Unreserved Cash Fund Balance	<u>\$271,298</u>	<u>\$384,159</u>	534,598	<u>\$150,439</u>
Reserved for Encumbrances - All Budget Years			<u>19,159</u>	
Total Cash Fund Balance - December 31			<u>\$553,757</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Debt Service Administration Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$5,000	\$5,000	\$2,269	(\$2,731)
Other Revenue	181,900	181,900	181,957	57
Total Revenues	186,900	186,900	184,226	(\$2,674)
Expenditures				
Current:				
General Government				
Legislative and Executive	60,000	60,000	5,043	54,957
Debt Service:				
Principal Retirements	5,095,375	5,095,375	5,015,375	80,000
Interest and Fiscal Charges	90,025	90,025	89,939	86
Total Expenditures	5,245,400	5,245,400	5,110,357	135,043
Excess of Revenues Under Expenditures	(5,058,500)	(5,058,500)	(4,926,131)	132,369
Other Financing Sources				
Proceeds from the Sale of Notes	2,710,000	2,710,000	2,710,000	0
Note Premiums	7,200	7,200	7,209	9
Transfers In	2,216,000	2,216,000	2,215,931	(69)
Total Other Financing Sources	4,933,200	4,933,200	4,933,140	(60)
Net Change in Fund Balance	(125,300)	(125,300)	7,009	132,309
Beginning Cash Fund Balance	320,463	320,463	320,463	0
Ending Cash Fund Balance	\$195,163	\$195,163	\$327,472	\$132,309

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Urban Renewal Bond Retirement Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$2,000	\$2,000	\$655	(\$1,345)
Expenditures				
Current:				
General Government				
Legislative and Executive	30,000	30,000	6,991	23,009
Debt Service:				
Principal Retirements	12,825,000	27,685,000	27,685,000	0
Interest and Fiscal Charges	276,500	350,800	350,769	31
Total Expenditures	13,131,500	28,065,800	28,042,760	23,040
Excess of Revenues Over (Under) Expenditures	(13,129,500)	(28,063,800)	(28,042,105)	(1,314)
Other Financing Sources				
Proceeds from the Sale of Bonds	12,825,000	27,685,000	27,685,000	0
Bond Premiums	35,500	149,100	149,063	(37)
Transfers In	244,300	365,600	285,379	(80,221)
Total Other Financing Sources	13,104,800	28,199,700	28,119,442	(80,258)
Net Change in Fund Balance	(24,700)	135,900	77,337	(81,572)
Beginning Cash Fund Balance	49,591	49,591	49,591	0
Ending Cash Fund Balance	\$24,891	\$185,491	\$126,928	(\$81,572)

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenses, Encumbrances and Changes in Fund Equity -
Budget (Non-GAAP Basis) and Actual
Central Stores Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	<u>\$236,900</u>	<u>\$230,000</u>	<u>\$206,268</u>	<u>(\$23,732)</u>
Expenses				
Materials and Supplies	<u>230,000</u>	<u>230,000</u>	<u>218,970</u>	<u>11,030</u>
Net Change in Fund Equity	6,900	0	(12,702)	(12,702)
Beginning Cash Fund Equity	13,778	13,778	13,778	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	<u>(155)</u>	<u>(155)</u>	<u>(155)</u>	<u>0</u>
Ending Unreserved Cash Fund Equity	<u>\$20,523</u>	<u>\$13,623</u>	921	<u>(\$12,702)</u>
Reserved for Encumbrances - All Budget Years			<u>19,345</u>	
Total Cash Fund Equity - December 31			<u>\$20,266</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenses, Encumbrances and Changes in Fund Equity -
Budget (Non-GAAP Basis) and Actual
Central Printing Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$125,900	\$120,300	\$116,896	(\$3,404)
Expenses				
Personal Services	26,100	29,300	29,225	75
Travel and Education	1,500	1,500	917	583
Contractual Services	85,200	85,200	85,782	(582)
Materials and Supplies	7,500	8,500	6,863	1,637
Total Expenditures	120,300	124,500	122,787	1,713
Net Change in Fund Equity	5,600	(4,200)	(5,891)	(1,691)
Beginning Cash Fund Equity	8,639	8,639	8,639	0
Current Year Cash Expenditures				
Against Prior Year's Cash Fund				
Equity Reserved For Encumbrance	(774)	(774)	(774)	0
Ending Unreserved Cash Fund Equity	\$13,465	\$3,665	1,974	(\$1,691)
Reserved for Encumbrances -				
All Budget Years			774	
Total Cash Fund Equity - December 31			\$2,748	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenses, Encumbrances and Changes in Fund Equity -
Budget (Non-GAAP Basis) and Actual
Central Garage Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$1,034,600	\$1,057,600	\$1,076,966	\$19,366
Expenses				
Personal Services	862,600	862,600	835,360	27,240
Travel and Education	0	0	20	(20)
Contractual Services	159,200	214,200	205,595	8,605
Materials and Supplies	35,800	35,800	33,201	2,599
Total Expenditures	<u>1,057,600</u>	<u>1,112,600</u>	<u>1,074,176</u>	<u>38,424</u>
Net Change in Fund Equity	(23,000)	(55,000)	2,790	57,790
Beginning Cash Fund Equity	121,546	121,546	121,546	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	(2,519)	(2,519)	(2,519)	0
Current Year Cash Expenditures Against Prior Year's Cash Fund Equity Reserved For Encumbrance	<u>(39,071)</u>	<u>(39,071)</u>	<u>(35,856)</u>	<u>3,215</u>
Ending Unreserved Cash Fund Equity	<u>\$56,956</u>	<u>\$24,956</u>	85,961	<u>\$61,005</u>
Reserved for Encumbrances - All Budget Years			<u>35,585</u>	
Total Cash Fund Equity - December 31			<u>\$121,546</u>	

CITY OF SHAKER HEIGHTS, OHIO
Statement of Revenues, Expenses, Encumbrances and Changes in Fund Equity -
Budget (Non-GAAP Basis) and Actual
Self Insurance Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$406,700	\$331,700	\$325,551	(\$6,149)
Expenses				
Personal Services	91,700	91,700	88,630	3,070
Travel and Education	1,000	1,000	744	256
Contractual Services	419,500	419,500	425,047	(5,547)
Materials and Supplies	3,100	3,100	625	2,475
Total Expenditures	515,300	515,300	515,046	254
Operating Loss	(108,600)	(183,600)	(189,495)	(5,895)
Nonoperating Revenues				
Investment Earnings	150,000	110,000	94,339	(15,661)
Net Change in Fund Equity	41,400	(73,600)	(95,156)	(21,556)
Beginning Cash Fund Equity	4,598,026	4,598,026	4,598,026	0
Prior Year's Reserve For Encumbrances Outstanding At December 31	(1,136,313)	(1,136,313)	(1,136,313)	0
Current Year Cash Expenditures Against Prior Year's Cash Fund Equity Reserved For Encumbrance	(64,131)	(64,131)	(64,131)	0
Ending Unreserved Cash Fund Equity	<u>\$3,438,982</u>	<u>\$3,323,982</u>	3,302,426	<u>(\$21,556)</u>
Reserved for Encumbrances - All Budget Years			<u>1,138,921</u>	
Total Cash Fund Equity - December 31			<u>\$4,441,347</u>	

Statistical Section

The following statistical tables reflect social and economic data, financial trends and fiscal capacity of the City.

**City of Shaker Heights, Ohio
Governmental Funds Revenues by Source (1)
Last Ten Years**

Year	Taxes (2)	Intergovernmental	Charges for Services	Fines and Forfeitures	Interest	Special Assessments	Fees Licenses and Permits	Other Revenue	Total
2003 (3)	\$46,169,662	\$3,624,484	\$5,959,401	\$1,028,445	\$490,633	\$1,347,023	\$487,677	\$1,082,301	\$60,189,626
2002	29,652,517	3,805,168	3,812,324	826,383	947,056	1,348,169	409,093	1,918,912	42,719,622
2001	31,257,033	2,920,659	3,276,315	854,688	1,839,948	1,324,288	340,124	1,487,042	43,300,097
2000	28,199,669	2,140,165	3,210,192	983,715	1,780,331	1,239,530	363,509	1,660,238	39,577,349
1999	27,840,208	2,360,440	3,356,057	798,494	506,874	1,247,115	385,808	1,732,223	38,227,219
1998	31,468,595	1,833,574	3,171,843	795,100	772,261	1,213,146	323,482	1,264,611	40,842,612
1997	24,724,744	1,599,068	2,520,557	735,334	1,071,608	1,055,037	290,016	969,981	32,966,345
1996	27,528,366	1,279,043	2,506,119	724,453	953,514	1,084,156	345,587	1,037,575	35,458,813
1995	26,101,290	1,048,624	2,514,435	632,205	978,141	1,092,526	256,017	800,824	33,424,062
1994	22,764,635	943,535	2,539,299	487,854	794,856	811,697	207,492	391,184	28,940,552

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds.

(2) Includes Property, Municipal Income, State Levied Shared, and Other Local Taxes.

(3) Beginning in 2003 the General Fund and Special Revenue Funds includes funds that were previously reported as other fund types.

Information reflected in this table is based on the modified accrual basis of accounting. Information for the Government Wide activities will be present there are enough years of information to make comparisons.

Source: City of Shaker Heights, Finance Department

City of Shaker Heights, Ohio
Governmental Funds Expenditures by Function (1)
Last Ten Years

Year	Security of Persons and Property	Public Health Services	Leisure Time Activities	Housing and Community Development	Sanitation and Sewer Services	Street Maintenance and Repair	General Government	Debt Service	Total
2003 (2)	\$22,718,906	\$629,242	\$3,702,571	\$5,648,055	\$4,073,814	\$2,588,086	\$9,046,886	\$345,002	\$48,752,562
2002	18,760,663	512,140	640,800	6,438,074	4,752,158	5,964,716	8,738,780	259,457	46,066,788
2001	17,800,087	402,169	755,527	4,998,072	3,624,834	3,658,688	8,045,556	231,498	39,516,431
2000	16,466,716	376,824	788,349	5,019,176	3,252,533	3,108,120	8,825,405	144,307	37,981,430
1999	14,901,762	378,668	852,519	4,862,567	3,780,852	3,663,259	8,411,694	2,276,151	39,127,472
1998	14,181,475	356,838	706,873	4,174,050	3,260,457	2,864,055	7,656,109	287,548	33,487,405
1997	13,726,873	348,387	617,427	4,198,847	3,084,081	3,039,035	6,957,206	350,497	32,322,353
1996	13,619,767	348,235	679,025	4,446,577	3,363,717	3,954,725	7,048,001	418,835	33,878,882
1995	13,591,351	359,446	721,066	4,029,334	2,955,578	3,618,384	6,745,707	461,283	32,482,149
1994	12,630,935	262,191	730,281	3,558,686	3,090,545	2,843,044	6,111,577	337,330	29,564,589

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds.

(2) Beginning in 2003 the General Fund and Special Revenue Funds includes funds that were previously reported as other fund types.

Information reflected in this table is based on the modified accrual basis of accounting. Information for the Government Wide activities will not be included if there are not enough years of information to make comparisons.

Source: City of Shaker Heights, Finance Department

**City of Shaker Heights, Ohio
Municipal Income Tax Collections by Type
Last Ten Years**

Year	Employer Withholding	Individual	Net Profits	Penalties & Interest	Total Revenue
2003	\$6,253,899	\$15,711,901	\$300,104	\$383,262	\$22,649,166
2002	5,293,177	12,415,761	506,343	433,627	18,648,908
2001	5,201,142	12,739,568	556,797	429,954	18,927,461
2000	5,405,606	11,236,797	348,985	273,409	17,264,797
1999	4,899,988	11,900,607	342,527	343,580	17,486,702
1998	4,718,786	11,311,885	418,982	333,675	16,783,328
1997	4,673,804	10,649,215	298,504	346,740	15,968,263
1996	4,380,569	10,585,399	397,200	333,512	15,696,680
1995	4,191,481	9,924,539	290,241	363,062	14,769,323
1994	3,778,798	9,433,159	262,908	306,020	13,780,885

SOURCE: City of Shaker Heights, Finance Department

City of Shaker Heights, Ohio
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Tax Year/ Collection Year	Real Property (1)		General Tangible Personal Property (2)		Public Utilities Tangible Personal Property (3)		Total		Ratio of Total Assessed to Estimated Actual Value
	Assessed Value	Estimated Actual	Assessed Value	Estimated Actual	Assessed Value	Estimated Actual	Assessed Value	Estimated Actual	
2003/2004	\$806,459,520	\$2,304,170,057	\$13,064,821	\$59,385,550	\$15,799,910	\$17,954,443	\$835,324,251	\$2,381,510,050	35.08%
2002/2003	706,996,220	2,019,989,200	16,864,140	73,322,348	15,306,100	17,393,295	739,166,460	2,110,704,843	35.02%
2001/2002	708,065,810	2,023,045,171	14,106,723	58,778,013	16,032,480	18,218,727	738,205,013	2,100,041,911	35.15%
2000/2001	704,415,330	2,012,615,229	12,360,677	49,442,708	20,868,560	23,714,273	737,644,567	2,085,772,210	35.37%
1999/2000	620,415,390	1,772,615,400	11,173,500	44,694,000	21,083,660	23,958,705	652,672,550	1,841,268,105	35.45%
1998/1999	620,808,980	1,773,739,943	10,729,785	42,919,140	23,210,870	26,375,989	654,749,635	1,843,035,072	35.53%
1997/1998	619,672,050	1,770,491,571	11,525,825	46,103,300	23,242,590	24,401,660	654,440,465	1,840,996,531	35.55%
1996/1997	578,333,810	1,652,382,314	11,372,730	45,490,920	24,401,660	24,401,660	614,108,200	1,722,274,894	35.66%
1995/1996	576,319,840	1,646,628,114	9,705,218	38,820,872	25,243,350	27,310,960	611,268,408	1,712,759,946	35.69%
1994/1995	580,236,040	1,657,817,257	8,350,172	33,400,688	27,310,960	27,310,960	615,897,172	1,718,528,905	35.84%

- (1) The assessed valuation level for real property in Cuyahoga County is 35% of market value, except for certain agricultural land.
- (2) From 1992 to 2001, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25% of its true value. Beginning in collection year 2002, the inventory assessment will be reduced 1% each year until it is completely phased out.
- (3) The true value of tangible personal property of public utilities is based upon composite annual allowances and is assessed at 88%, with some exceptions.

Source: Cuyahoga County Auditor's Office

The City of Shaker Heights, Ohio
Property Tax Rates - All Direct and Overlapping Governments
 (Per \$1,000 of Assessed Valuation)
 Last Ten Years

Tax Year/ Collection Year	City of Shaker Heights			Total City Rate	County	Schools	Library	Total
	General Fund	Police Pension	Fire Pension					
2003/2004	9.30	0.30	0.30	9.90	18.00	158.90	4.00	190.80
2002/2003	9.30	0.30	0.30	9.90	16.20	150.00	4.00	180.10
2001/2002	9.30	0.30	0.30	9.90	16.20	150.50	4.00	180.60
2000/2001	9.30	0.30	0.30	9.90	16.20	150.50	4.00	180.60
1999/2000	9.30	0.30	0.30	9.90	15.30	141.00	4.00	170.20
1998/1999	9.30	0.30	0.30	9.90	15.30	139.80	4.00	169.00
1997/1998	9.30	0.30	0.30	9.90	16.60	139.60	4.00	170.10
1996/1997	9.30	0.30	0.30	9.90	16.60	139.80	3.00	169.30
1995/1996	9.30	0.30	0.30	9.90	16.60	139.70	3.00	169.20
1994/1995	9.30	0.30	0.30	9.90	16.80	131.00	3.00	160.70

Source: Cuyahoga County Auditor's Office

**City of Shaker Heights, Ohio
Property Tax Levies and Collections
Real and Public Property
Last Ten Years**

Tax Year/ Collection Year	Current		Percent of Current Levy Collected	Collections Including Deficiencies	Total Collections As Percent of Current Levy	Accumulated Delinquency
	Levy	Collections				
2002/2003	\$7,167,586	\$6,776,892	94.55%	\$7,113,988	99.25%	\$652,146
2001/2002	7,162,530	6,774,784	94.59%	7,131,454	99.57%	542,690
2000/2001	7,178,496	6,827,641	95.11%	7,091,176	98.78%	492,465
1999/2000	6,377,232	6,106,668	95.76%	6,375,098	99.97%	371,021
1998/1999	6,374,373	6,134,194	96.23%	6,416,944	100.67%	386,184
1997/1998	6,336,703	6,127,383	96.70%	6,313,531	99.63%	409,787
1996/1997	6,087,228	5,888,637	96.74%	6,057,119	99.51%	350,966
1995/1996	6,065,921	5,923,440	97.65%	6,082,444	100.27%	346,309
1994/1995	5,999,464	5,813,092	96.89%	5,958,437	99.32%	322,450
1993/1994	5,494,611	5,331,225	97.03%	5,511,643	100.31%	350,752

Source: Cuyahoga County Auditor's Office

**City of Shaker Heights, Ohio
Special Assessment Levies and Collections
Last Ten Years**

Tax Year/ Collection Year	Current Assessment	Total Current Collections	Total Collection as a Percentage of Current Assessments	Accumulated Delinquencies
2002/2003	\$1,393,962	\$1,363,061	97.78%	\$222,320
2001/2002	1,429,912	1,322,690	92.50%	200,102
2000/2001	1,398,137	1,291,124	92.35%	202,546
1999/2000	1,222,534	1,163,227	95.15%	148,957
1998/1999	1,265,865	1,176,131	92.91%	161,779
1997/1998	1,248,875	1,168,021	93.53%	172,717
1996/1997	1,117,810	1,066,278	95.39%	104,940
1995/1996	1,099,686	1,066,210	96.96%	71,867
1994/1995	1,090,916	1,058,282	97.01%	66,692
1993/1994	825,927	796,022	96.38%	59,592

SOURCE: Cuyahoga County Auditor

City of Shaker Heights, Ohio
Computation of Legal Debt Margin
December 31, 2003

TOTAL ASSESSED VALUATION	<u><u>\$835,324,251</u></u>
<u>Overall Debt Limitation</u>	
10 1/2% of Assessed Valuation	\$87,709,046
Gross Indebtedness	\$20,759,312
Less: Debt Outside Limitations	
Ohio Public Works Commission Loan	(464,312)
<u>Temporary Urban Renewal Bonds</u>	
Shaker Towne Centre Revitalization Project	(2,215,000)
<u>Permanent Urban Renewal Bonds</u>	
Sussex Area Revitalization Project - Public Improvements	(2,150,000)
Sussex Area Revitalization Project - Property Acquisition	(575,000)
Shaker Towne Centre Revitalization Project	(7,645,000)
Shaker Towne Centre Revitalization - Firehouse Construction	<u>(5,000,000)</u>
Debt within 10 1/2% Limitation:	
<u>Bond Anticipation Notes</u>	
Library Building Renovation Project	\$1,120,000
2000 Fire Truck Acquisition	160,000
2001 Ambulance Acquisition	90,000
2002 Fire Truck Acquisition	340,000
Public Works Projects	<u>1,000,000</u>
Total Debt within 10 1/2% Limitation	\$2,710,000
Less: Debt Service Fund Balance	<u>(325,971)</u>
Net Debt within 10 1/2% Limitation	<u>2,384,029</u>
Overall Legal Debt Margin within 10 1/2% Limitation	<u><u>\$85,325,017</u></u>
<u>Unvoted Debt Limitation</u>	
5 1/2% of Assessed Valuation	\$45,942,834
Gross Indebtedness Authorized by Council	\$20,759,312
Less: Debt Outside Limitations	
Ohio Public Works Commission Loan	(464,312)
<u>Temporary Urban Renewal Bonds</u>	
Shaker Towne Centre Revitalization Project	(2,215,000)
<u>Permanent Urban Renewal Bonds</u>	
Sussex Area Revitalization Project - Public Improvements	(2,150,000)
Sussex Area Revitalization Project - Property Acquisition	(575,000)
Shaker Towne Centre Revitalization Project	(7,645,000)
Shaker Towne Centre Revitalization - Firehouse Construction	<u>(5,000,000)</u>
Debt within 5 1/2% Limitation	
<u>Bond Anticipation Notes</u>	
Library Building Renovation Project	\$1,120,000
2000 Fire Truck Acquisition	160,000
2001 Ambulance Acquisition	90,000
2002 Fire Truck Acquisition	340,000
Public Works Projects	<u>1,000,000</u>
Total Debt within 5 1/2% Limitation	\$2,710,000
Less: Debt Service Fund Balance	<u>(325,971)</u>
Net Debt within 5 1/2% Limitation	<u>2,384,029</u>
Legal Debt Margin within 5 1/2% Limitation	<u><u>\$43,558,805</u></u>

Source: City of Shaker Heights, Finance Department

City of Shaker Heights, Ohio
Computation of Direct and Overlapping Debt
December 31, 2003

Jurisdiction	Debt Outstanding		Percentage Applicable to City of Shaker Heights	Amount Applicable to City of Shaker Heights
<u>Direct:</u>				
City of Shaker Heights General Obligation Bond Anticipation Notes	\$20,295,000	(a)	100.00%	\$20,295,000
<u>Overlapping:</u>				
City of Shaker Heights - School District	13,744,223	(b)	93.69%	12,876,963
Cuyahoga County	183,239,636	(b)	2.76%	5,057,414
Greater Cleveland Regional Transit	136,310,000	(b)	2.76%	3,762,156
Total Overlapping	333,293,859			21,696,533
GRAND TOTAL	\$353,588,859			\$41,991,533

SOURCE: (a) City of Shaker Heights, Finance Department

(b) Cuyahoga County Auditor's Office

City of Shaker Heights, Ohio
Ratio of Net General Bonded Debt to
Assessed Valuation and Net Bonded Debt per Capita
Last Ten Years

Year	Population	Assessed Value (1)	Gross General Bonded Debt (2)	Less Balance In Debt Service Fund	Net Gross General Bonded Debt	Ratio of Net Debt To Assessed Value	Net Bonded Debt Per Capita
2003	29,405	\$835,324,251	\$20,295,000	\$325,971	\$19,969,029	2.391%	\$679.10
2002	29,405	739,166,460	17,800,000	324,434	17,475,566	2.364%	594.31
2001	29,405	738,205,013	7,600,000	318,875	7,281,125	0.986%	247.62
2000	29,405	737,644,567	3,935,000	306,054	3,628,946	0.492%	123.41
1999	30,867	652,672,550	3,845,000	291,224	3,553,776	0.544%	115.13
1998	30,867	654,749,635	2,360,000	279,597	2,080,403	0.318%	67.40
1997	30,867	654,440,465	3,065,000	263,693	2,801,307	0.428%	90.75
1996	30,867	614,108,200	3,890,000	225,195	3,664,805	0.597%	118.73
1995	30,867	611,268,408	5,110,000	222,206	4,887,794	0.800%	158.35
1994	30,867	615,897,172	6,240,000	219,838	6,020,162	0.977%	195.04

(1) SOURCE: Cuyahoga County Auditor

(2) Includes Both Exempt and Non-Exempt Bond Anticipation Notes

Population is from the 1990 and 2000 Federal Census

City of Shaker Heights, Ohio
Ratio of Annual Debt Service Expenditures for General
Bonded Debt to Total Governmental Funds Expenditures
Last Ten Years

Year	Principal	Interest (1)	Total Debt Service On General Bonded Debt	Governmental Funds Expenditures	Ratio of Tax Supported Debt Service to Governmental Funds Expenditures
2003	\$2,265,000	\$304,627	\$2,569,627	\$48,752,562	5.27%
2002	835,000	219,082	1,054,082	46,066,788	2.29%
2001	335,000	191,123	526,123	39,516,431	1.33%
2000	310,000	103,922	413,922	37,981,430	1.09%
1999	675,000	82,335	757,335	39,127,472	1.94%
1998	705,000	87,988	792,988	33,487,405	2.37%
1997	825,000	150,937	975,937	32,322,353	3.02%
1996	1,220,000	219,275	1,439,275	33,878,882	4.25%
1995	1,130,000	281,910	1,411,910	32,482,149	4.35%
1994	670,000	178,145	848,145	29,564,589	2.87%

(1) Includes Interest Expense on both Bonds and Short-Term Note Obligations

SOURCE: City of Shaker Heights, Finance Department

City of Shaker Heights, Ohio
Demographic Statistics
December 31, 2003

	<u>1980</u>	<u>1990</u>	<u>2000</u>
Population	32,487	30,867	29,405
Per capita income	\$15,669	\$32,708	\$41,354
Number of dwelling units	13,241	13,279	12,982
Persons per household	2.54	2.43	2.39
Median Age	36.5	37.8	39.6
% owner - occupied dwelling units	65.30%	61.40%	64.90%
Median Family Income	\$34,241	\$65,913	\$85,893
Family income distribution:			
\$ 0 - \$ 9,999	1,666	767	764
\$10,000 - \$ 24,999	3,916	1,921	1,515
\$25,000 - \$ 34,999	2,341	1,415	1,151
\$35,000 - \$ 49,999	2,041	2,054	1,481
over \$50,000	<u>2,815</u>	<u>6,443</u>	<u>7,355</u>
Total families	<u><u>12,779</u></u>	<u><u>12,600</u></u>	<u><u>12,266</u></u>
Education distribution/grades years completed: (Population 25 years or older)			
0 - 8	3.32%	1.69%	1.58%
9 - 11	5.99%	5.67%	3.79%
12	19.13%	10.54%	11.05%
13 - 15	20.98%	21.09%	21.88%
16 or more	<u>50.58%</u>	<u>61.01%</u>	<u>61.69%</u>
	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

SOURCE: Federal Census and City of Shaker Heights Planning Department

**City of Shaker Heights, Ohio
Employment Distribution by Occupation
December 31, 2003**

<u>Residents' employment distribution by</u>	<u>Number Employed</u>	<u>% of Total</u>
Professional, Scientific, Management, Administrative and Waste Management Services	2,093	22.76%
Educational, Health and Social Services	5,135	55.85%
Arts, Entertainment, Recreation, Accommodation and Food Services	820	8.92%
Public Administration	556	6.05%
Other	<u>591</u>	<u>6.43%</u>
Total Employment	<u><u>9,195</u></u>	<u><u>100.00%</u></u>

SOURCE: 2000 Federal Census and Cuyahoga County Planning Commission

**City of Shaker Heights, Ohio
Principal Property Tax Payers
December 31, 2003**

<u>Taxpayer</u>	<u>Assessed Valuation (1)</u>	<u>Percentage of Total Assessed Valuation</u>
OfficeMax Incorporated	\$6,933,570	0.83%
Ohio Bell Telephone Company	6,482,700	0.78%
The Cleveland Electric Illuminating Company	6,301,650	0.75%
Tower East Operating Association	5,906,590	0.71%
Shaker Towne Centre E&A LLC	3,748,500	0.45%
East End School Association	3,085,220	0.37%
Somerset Point LTD Partnership	2,678,620	0.32%
Oliver Family LTD Partnership	2,275,000	0.27%
Deborah Salzberg Trust	1,913,800	0.23%
Shaker Heights Country Club	<u>1,575,820</u>	<u>0.19%</u>
Total	<u>\$40,901,470</u>	<u>4.90%</u>
Total Assessed Valuation of City	<u><u>\$835,324,251</u></u>	

(1) Property assessed at 35% of Fair Market Value

SOURCE: Cuyahoga County Auditor

City of Shaker Heights, Ohio
Property Value, New Construction and Bank Deposits
Last Ten Years

Tax Year/ Collection Year	Construction (1)		Cuyahoga County Bank Deposits (2) (In Thousands)	Total Assessed Value (1)	
	Commercial/ Industrial	Residential		Commercial	Residential
2003/2004	\$2,500,910	\$1,551,980	\$97,519,187	\$80,074,430	\$726,385,090
2002/2003	2,463,260	764,260	95,761,917	76,418,240	630,577,980
2001/2002	2,240,210	1,124,710	63,893,769	77,190,760	630,875,050
2000/2001	1,216,100	1,613,690	61,942,764	74,268,190	630,147,140
1999/2000	280,700	516,010	57,816,942	63,754,230	556,661,160
1998/1999	1,360,940	435,630	58,904,596	64,301,600	556,507,380
1997/1998	10,330	403,540	53,941,971	62,695,010	556,977,040
1996/1997	2,462,770	466,180	27,068,211	60,614,950	517,718,860
1995/1996	671,960	967,500	22,694,304	58,661,040	517,658,800
1994/1995	1,130,860	696,500	20,885,453	58,312,610	521,923,430

(1) SOURCE: Cuyahoga County Auditor

(2) SOURCE: Federal Reserve Bank of Cleveland (total demand, time and savings deposit for Cuyahoga County, Ohio Banks.

**City of Shaker Heights, Ohio
Other Statistics
December 31, 2003**

Year incorporated as a village	1912
Year incorporated as a city	1931
City Charter adopted	1931
Form of government	Mayor/Council
Area	6.3 square miles
Miles of streets	142
Number of street lights	4,565
Sworn Fire protection:	
Number of stations	2
Number of firemen and officers	64
Sworn Police protection:	
Number of stations	1
Number of policemen and officers	72
Sewers:	
Miles of storm sewers	102
Miles of sanitary sewers	99
Miles of water mains	127
Building:	
2003 Permits issued	3,374
2003 Valuation of construction	\$11,489,850
Parks and Recreation:	
Number of parks	14
Number of pools	1
Number of ice rinks	1
Number of tennis courts	10
Number of baseball diamonds	6

SOURCE: City of Shaker Heights, Public Works, Building and

City Of Shaker Heights, Ohio

Single Audit Reports

December 31, 2003

City of Shaker Heights, Ohio

For the Year Ended December 31, 2003

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

Members of the City Council
City of Shaker Heights, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shaker Heights as of and for the year ended December 31, 2003, which collectively comprise the City of Shaker Heights basic financial statements and have issued our report thereon dated June 15, 2004, wherein we noted the City of Shaker Heights adopted Government Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Shaker Heights's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 03-1. We also noted a certain immaterial instance of noncompliance that we have reported to management of the City of Shaker Heights in a separate letter dated June 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Shaker Heights's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 15, 2004.

Members of the City Council
City of Shaker Heights, Ohio

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

Cimini & Panichi, Inc.

Cleveland, Ohio
June 15, 2004

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

Members of the City Council
City of Shaker Heights, Ohio

Compliance

We have audited the compliance of the City of Shaker Heights, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The City of Shaker Heights's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Shaker Heights's management. Our responsibility is to express an opinion on the City of Shaker Heights'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 material noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City of Shaker Heights's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Shaker Heights's compliance with those requirements.

In our opinion, the City of Shaker Heights complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2003. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the City of Shaker Heights, in a separate letter dated June 15, 2004.

Members of the City Council
City of Shaker Heights, Ohio

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 15, 2004.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shaker Heights as of and for the year ended December 31, 2003, which collectively comprise the City of Shaker Heights's basic financial statements and have issued our report thereon dated June 15, 2004, wherein we noted the City of Shaker Heights adopted Government Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Shaker Heights's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Cimini & Panichi, Inc.

Cleveland, Ohio
June 15, 2004

City of Shaker Heights, Ohio

Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2003

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Federal Cash Receipts</u>	<u>Federal Cash Disbursements</u>
U.S. Department of Health & Human Services Passed Through the Ohio Department on Aging and the Western Reserve Area Agency on Aging					
Title III B Senior Adults - 2003	93.044	N/A	\$ <u>46,100</u>	\$ <u>45,181</u>	\$ <u>46,100</u>
Total Department of Health & Human Services			<u>46,100</u>	<u>45,181</u>	<u>46,100</u>
U.S. Department of Housing & Urban Development					
Direct Program:					
Fair Housing Assistance Program State and Local	14.401	FF205K985030	<u>167,200</u>	<u>125,400</u>	<u>40,496</u>
Total Direct Programs			<u>167,200</u>	<u>125,400</u>	<u>40,496</u>
Passed Through Cuyahoga County:					
Community Development Block Grants/Entitlement Grants					
CDBG – 2002 Exterior Maintenance Program	14.218	CE 12590-01	60,000	57,537	-
CDBG – 2003 Exterior Maintenance Program	14.218	CE-12590-01	55,000	-	52,602
CDBG – ADA Compliance for Municipal Service Center	14.218	CE-12811-01	88,205	-	9,975
Total Pass-Through Programs			<u>203,205</u>	<u>57,537</u>	<u>62,577</u>
Total U.S. Department of Housing & Urban Development			<u>370,405</u>	<u>182,937</u>	<u>103,073</u>

The accompanying notes are an integral part of this schedule

City of Shaker Heights, Ohio

Schedule of Expenditures of Federal Awards (Continued)

For The Year Ended December 31, 2003

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Federal Cash Receipts</u>	<u>Federal Cash Disbursements</u>
U.S. Department of Justice Direct Program:					
Drug-Free Communities Support Program Grant					
Drug Free Community Grant	15.529	01-JN-FX-0115	100,000	91,085	96,338
Drug Free Community Grant	15.529	01-JN-FX-0115	<u>100,000</u>	<u>89,429</u>	<u>96,047</u>
Total Drug Free Communities Support Program Grants			<u>200,000</u>	<u>180,514</u>	<u>192,385</u>
Local Law Enforcement Block Grants Program					
Local Law Enforcement Block Grants Program - #1	16.592	2002-LB-BX-2727	13,268	-	-
Local Law Enforcement Block Grants Program - #2	16.592	2003-LB-BX-2418	<u>10,589</u>	<u>10,589</u>	<u>-</u>
Total Direct Programs			<u>23,857</u>	<u>10,589</u>	<u>-</u>
Passed Through the State of Ohio Office of Criminal Justice Services					
Juvenile Accountability Incentive Block Grant Program					
Safe City Hotline Program Overtime	16.523	02-JB-MUN-0008	12,819	1,244	617
Playground Security	16.523	03-JB-MUN-0008	<u>9,400</u>	<u>-</u>	<u>-</u>
Total Pass-Through Program			<u>22,219</u>	<u>1,244</u>	<u>617</u>
Total U.S. Department of Justice			<u>246,076</u>	<u>192,347</u>	<u>193,002</u>

The accompanying notes are an integral part of this schedule

City of Shaker Heights, Ohio

Schedule of Expenditures of Federal Awards (Continued)

For The Year Ended December 31, 2003

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Federal Cash Receipts</u>	<u>Federal Cash Disbursements</u>
Executive Office of the President - Office of National Drug Control Policy Direct Program:					
High Intensity Drug Trafficking Area - Ohio - 1999	N/A	I9POHP501	700,000	6,252	-
High Intensity Drug Trafficking Area - Ohio - 2000	N/A	I0POHP501	1,301,000	374,907	169,775
High Intensity Drug Trafficking Area - Ohio - 2001	N/A	I1POHP501	2,500,000	508,730	378,909
High Intensity Drug Trafficking Area - Ohio - 2002	N/A	I2POHP501	2,700,000	789,508	662,080
High Intensity Drug Trafficking Area - Ohio - 2003	N/A	I3POHP501	<u>2,500,000</u>	<u>895,738</u>	<u>854,601</u>
Total Executive Office of the President			<u>9,701,000</u>	<u>2,575,135</u>	<u>2,065,365</u>
U.S. Department of Transportation Federal Highway Administration					
Passed through the Ohio Department of Transportation Highway Planning and Construction					
ODOT Railroad Safety Grant	20.205	#9243, PID 15393	<u>24,000</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Transportation Federal Highway Administration			<u>24,000</u>	<u>-</u>	<u>-</u>
Total Federal Assistance			\$ <u>10,387,581</u>	\$ <u>2,995,600</u>	\$ <u>2,407,540</u>

The accompanying notes are an integral part of this schedule

City of Shaker Heights, Ohio

Notes to the Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2003

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Shaker Heights, 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 basic financial statements.

Note 2: Matching Requirements

Certain Federal programs require that the City contribute Non-Federal (matching) funds to support the Federally Funded programs. The City has complied with the matching requirements. The expenditure of Non-Federal matching funds is not included on the accompanying Schedule.

N/A - Not Applicable

City of Shaker Heights, Ohio

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

December 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

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

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

03-1 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 appropriated fund free from any encumbrances.

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

3. FINDINGS FOR FEDERAL AWARDS

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

City of Shaker Heights, Ohio

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

December 31, 2003

Item No.	Finding Summary	Fully Corrected?	Explanation
02-1	Purchase orders dated after invoice	No	The City had noncompliance in this area again in year 2003.

City of Shaker Heights

3400 Lee Road
Shaker Heights, Ohio 44120
(216) 491-1420

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
03-1	The City will monitor the encumbrance procedures to ensure that purchase orders are properly issued to remain in compliance with ORC Section 5705.41(D).	N/A	Frank Brichacek, Finance Director



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF SHAKER HEIGHTS

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
SEPTEMBER 23, 2004**