

Attachment A



2003 Year End Financial Report

Prepared by the Finance Department

For

Fiscal Year January 1, 2003 – December 31, 2003

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EXECUTIVE SUMMARY

General Fund

Actual revenues for 2003 were \$25,530,266 this is \$1,064,382 or 4.4% above projected revenue of \$24,465,884. The better than expected revenue was primarily a result of increases in sales tax revenue of \$188,742, telecommunications utility tax revenue of \$237,632, and gambling tax revenue of \$355,280. Property Tax was just slightly above projections but by only 0.4% (\$29,046). Property tax, sales tax, gambling tax, utility tax, and franchise fees represent 78.2% of the General Fund revenues.

The remaining General Fund revenues had modest increases over projected numbers. Recreation revenues exceeded projections by 7.4% (\$49,417) and fine revenues exceeded projections by 75%, generating \$75,890 in additional revenue. Fine revenues are comprised primarily of traffic infraction fees.

Actual 2003 expenditures were \$26,118,521, (\$19,258,349 in direct department expenditures and \$6,860,172 in transfers out). This is \$1,240,334 or 4.5% below projected expenditures of \$27,358,855. In addition to those expenditures occurring in 2003, City departments have requested a total of \$536,882 in carry-over requests. These requests represent expenditures that were anticipated to occur in 2003, but will actually occur in 2004. Taking the carry-over requests into consideration, total 2003 expenditures were \$26,655,403. It is worth pointing out that several areas realized significant expenditure savings such as:

- Although 2003 actual jail costs exceeded projections by \$22,875, it's important to note that compared to 2003 budget the City saved \$177,626 or 19.6%. This savings was realized through decreases in the number of jail days used and increased usage of the more cost effective Yakima jail. Jail usage dropped by 6.8% or 438 beds days from 2002 and the City's usage of Yakima County increased from 398 bed days to 2,769 bed days.
- Police expenditures were approximately \$267,519 or 5.9% less than projected. It is important to note that the final police contract expenditures have yet to be determined by King County, as a result, the final amount of contract savings could be adjusted down.
- Planning and Development Services costs were \$250,715 below projections due primarily to salary savings and professional service contracts. However, when you factor in PADS request to carryover \$146,007 the real effect of the PADS under-expenditure is \$104,708.

In addition to these noted larger departmental savings many departments under-expended their projected budgets by amounts ranging from \$2,133 in City

Council to \$71,626 in Public Works. Later in this report a complete list of each departments 2003 expenditure activity is included.

In 2003 General Fund expenditures exceeded General Fund Revenues by \$588,255. However its important to remember that of the \$26,118,521 total expenditures \$6,860,172 are transfers out of the General Fund to support the City's other funds, this includes the one-time transfer of \$1.8 million to the General Capital Fund for the City Hall Project. When Council approved this additional transfer it was the intent to use fund balance left over from 2002.

The General Fund ending unreserved fund balance for 2003 is \$7,914,991, \$1,767,865 greater than projected.

Development Services Fund

Actual revenues for 2003 were \$1,774,712. This is \$14,040 or 0.8% above projected revenues of \$1,760,672. The slightly better than expected revenue is due to an 8.5% or 103 permit increase in activity over 2002.

Actual expenditures for 2003 were \$1,729,066. This is \$89,976 or 4.95% below projected expenditures of \$1,819,042. The decrease is a result of salary and professional services savings.

As a result of decreases in expenditures and slight increases in revenues the Development Services Fund reserves increased by \$45,161 or 11.99% from 2002, this includes carryover requests of \$485.

Street Fund

Actual revenues for 2003 were \$2,738,929. This is a very modest increase of \$49,659 or 1.8% above projected revenues of \$2,689,270.

Actual expenditures for 2003 were \$2,875,845. This is \$85,218 or 2.9% below projected expenditures of \$2,961,063. In addition to 2003 expenditures staff has requested that \$88,672 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. The Street Fund 2003 ending unreserved fund balance is \$589,098, \$37,205 greater than projected.

Surface Water Management Fund

Actual revenues for 2003 were \$2,515,726. This is \$2,940 or 0.12% above projected revenues of \$2,512,786.

Actual expenditures for 2003 were \$2,486,791. This is \$424,091 or 14.57% below projected expenditures of \$2,910,882. In addition to 2003 expenditures staff has requested that \$118,437 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. The ending

unreserved fund balance for 2003 is \$2,281,037, \$308,567 greater than projected.

Capital Improvement Funds

General Capital

Actual revenues for 2003 were \$3,939,879. This is \$130,130 or 3.42% above projected revenues of \$3,809,749. Real Estate Excise Tax (REET) collections were \$201,457 above projections. In 2003 the real estate market continued to be very active as mortgage rates remained low.

Actual expenditures for 2003 were \$862,914. This is \$1,573,901 or 64.59% below projected expenditures of \$2,436,815. In addition to 2003 expenditures staff has requested that \$1,520,181 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. What this means is that the fund balance increased despite the carryover because of the significant 2003 under expenditure. The 2003 ending fund balance increased by \$1,606,784 from \$4,260,443 to \$5,867,227.

Roads Capital

Actual revenues for 2003 were \$4,105,335. This is \$1,083,753 or 20.89% below projected revenues of \$5,189,088. This revenue decrease is due primarily to grant revenue not being received as projected since roads projects were not completed as scheduled. However, these grants are expected to be received in 2004 as the project work continues as a result staff has requested that \$1.8 million in grant revenue be carried over into 2004.

Actual expenditures for 2003 were \$4,373,837. This is \$4,283,663 or 49.48% below projected expenditures of \$8,657,500. In addition to 2003 expenditures staff has requested that \$3,983,309 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. What this means is that the fund balance decreased by \$2,409,158 from \$15,662,529 to \$13,253,371.

Surface Water Capital

Actual revenues for 2003 were \$1,566,383. This is \$384,055 or 19.69% below projected revenues of \$1,950,438. This revenue decrease is due primarily to Public Works Trust Fund loans for Ronald Bog not being received yet. However, this loan is expected to be received in 2004 as a result staff has requested that \$429,766 in loan revenue be carried over into 2004.

Actual expenditures for 2003 were \$581,511. This is \$1,061,489 or 64.61% below projected expenditures of \$1,643,000. In addition to 2003 expenditures staff has requested that \$923,639 of unexpended, but obligated funds, be carried

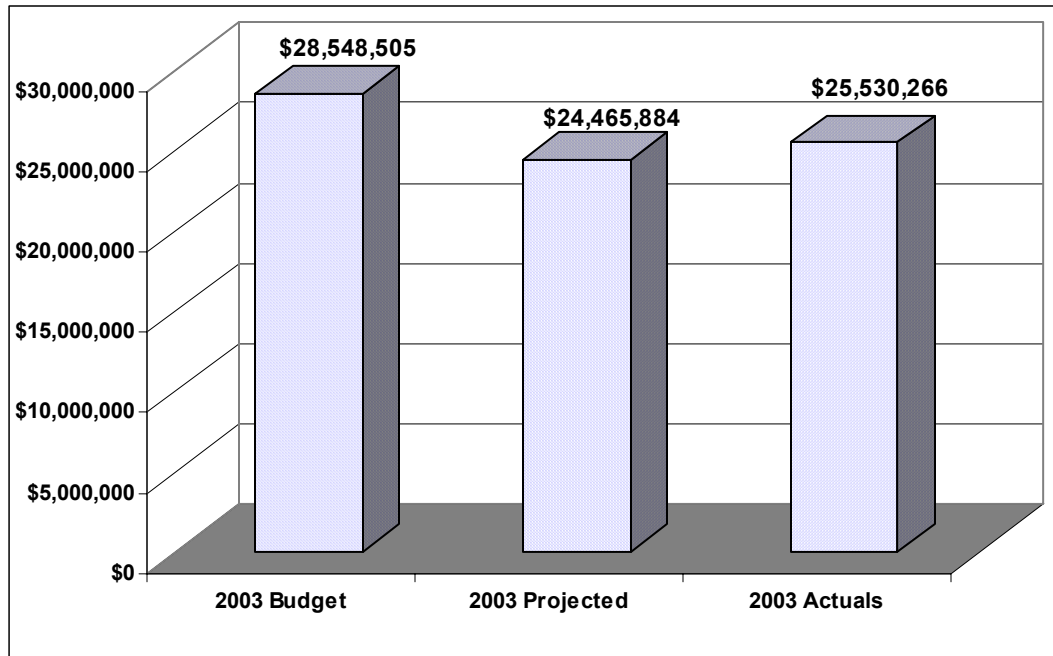
over into the 2004 budget via the re-appropriation process. What this means is that the fund balance increased by \$490,999 from \$2,468,014 to \$2,959,013.

All Funds Summary

The following table provides a summary of the financial results for all City funds for 2003 and includes the 2003 carryover and ending fund balance amounts:

Revenues						Expenditures					
Operating Funds	2003 Budget	2003 Projected	2003 Actuals	Variance Actuals v. Projected	2003 Carry Over Amount	2003 Budget	2003 Projected	2003 Actuals	Variance Actuals v. Projected	2003 Carryover Amount	Unreserved Ending Fund Balance
General Fund	\$28,548,505	\$24,465,884	\$25,530,266	\$1,064,382	\$0	\$28,548,505	\$27,358,855	\$26,118,521	-\$1,240,334	\$536,882	\$7,914,991
Streets	\$3,008,731	\$2,689,270	\$2,738,929	\$49,659	\$0	\$3,008,731	\$2,961,063	\$2,875,845	-\$85,218	\$88,672	\$589,098
SWM OPS	\$2,910,882	\$2,512,786	\$2,515,726	\$2,940	\$0	\$2,910,882	\$2,910,882	\$2,486,791	-\$424,091	\$118,437	\$2,281,037
PADS	\$1,859,545	\$1,760,672	\$1,774,712	\$14,040	\$0	\$1,859,545	\$1,819,042	\$1,729,066	-\$89,976	\$485	\$421,690
General Capital	\$4,605,595	\$3,809,749	\$3,939,879	\$130,130	\$50,000	\$2,689,698	\$2,436,815	\$862,914	-\$1,573,901	\$1,520,181	\$5,867,227
Roads Capital	\$9,891,738	\$5,189,088	\$4,105,335	-\$1,083,753	\$1,842,653	\$9,861,973	\$8,657,500	\$4,373,837	-\$4,283,663	\$3,983,309	\$13,253,371
SWM Capital	\$1,913,214	\$1,950,438	\$1,566,383	-\$384,055	\$429,766	\$1,646,830	\$1,643,000	\$581,511	-\$1,061,489	\$923,639	\$2,959,013
Arterial Street Fund	\$358,905	\$348,618	\$354,889	\$6,271	\$0	\$358,905	\$348,618	\$339,726	-\$8,892	\$0	\$15,163
General Reserve Fund	\$167,370	\$167,370	\$167,653	\$283	\$0	\$0	\$0	\$0	\$0	\$0	\$1,769,382
Code Abatement Fund	\$100,000	\$500	\$509	\$9	\$0	\$100,000	\$25,000	\$24,862	-\$138	\$0	\$48,313
Asset Seizure Fund	\$29,851	\$8,650	\$5,392	-\$3,258	\$0	\$29,851	\$16,263	\$15,872	-\$391	\$0	\$17,158
Public Arts Fund	\$40,465	\$23,438	\$23,438	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,438
Vehicle Operations Fund	\$55,000	\$42,114	\$41,920	-\$194	\$0	\$55,000	\$55,000	\$51,148	-\$3,852	\$0	\$61,365
Equipment Replacement Fund	\$324,473	\$290,062	\$286,912	-\$3,150	\$0	\$148,111	\$148,111	\$123,892	-\$24,219	\$0	\$995,187
Unemployment	\$10,000	\$10,000	\$10,012	\$12	\$0	\$10,000	\$10,000	\$7,465	-\$2,535	\$0	\$67,131
Totals	\$53,824,274	\$43,268,639	\$43,061,954	-\$206,685	\$2,322,419	\$51,228,031	\$48,390,149	\$39,591,450	-\$8,798,699	\$7,171,605	\$36,283,563

General Fund Revenue



2003 actual General Fund revenue totaled \$25,530,266 which was greater than 2003 projected revenue by \$1,064,382 or 4.4%. The revenue increase is due primarily to better than expected revenue from sales tax of \$188,742, telecommunications utility tax revenue of \$237,632 and gambling tax revenue of \$355,280. These three revenue sources make up \$781,654 of the \$1,064,382 revenue increase. Specific detail about these revenues can be found later in this report.

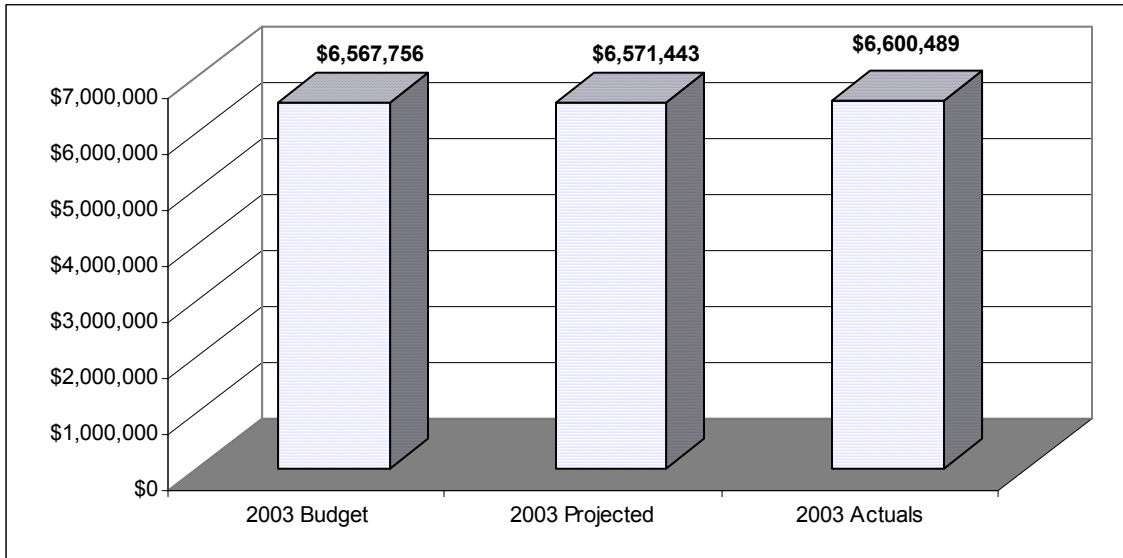
The following revenue sources saw very slight increases when compared to projections: Property Tax \$29,046 or 0.4%, Criminal Justice Sales tax \$13,807 or 1.4%. Other revenues of note include Parks and Recreation fees that saw a fairly large increase from projections of 7.4% or \$49,417 and Fines which came in at 75% or \$75,890 above projections.

Outside of the telecommunications revenue the other utility tax revenue sources came in very close to projections or had very minimal increases or decreases. A full discussion of all the utility tax revenue follows later in this report.

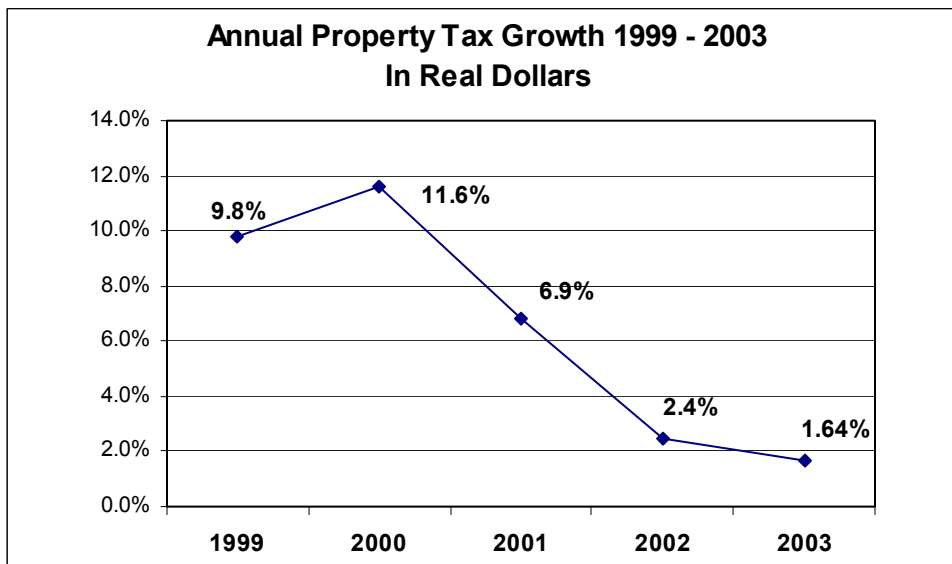
The chart below details each revenue category for 2003. The first column is the 2003 budget. The second column represents the revised projections made during the 2004 budget development cycle. The third column displays the actual revenue for all of 2003. The fourth column displays the variance between 2003 projected and actual collections. The fifth column displays the variance in percentage terms.

	2003 Budget	2003 Projected	2003 Actuals	\$\$ Variance Actuals v. Projected	% Variance
Budgeted Fund Balance	\$4,095,564	\$0	\$0	\$0	0.0%
Property Tax	\$6,567,756	\$6,571,443	\$6,600,489	\$29,046	0.4%
Sales Tax	\$5,278,565	\$5,278,565	\$5,467,307	\$188,742	3.6%
Criminal Justice Sale Tax	\$1,000,000	\$1,000,000	\$1,013,807	\$13,807	1.4%
<i>Utility Tax/Franchise Fee Category</i>					
Natural Gas Utility Tax	\$581,685	\$581,685	\$579,720	-\$1,965	-0.3%
Sanitation Utility Tax	\$295,000	\$295,000	\$353,569	\$58,569	19.9%
Cable TV Utility Tax	\$80,000	\$80,000	\$71,380	-\$8,620	-10.8%
Telephone/Cell Utility Tax	\$1,320,000	\$1,320,000	\$1,557,632	\$237,632	18.0%
Electricity Franchise Fee	\$1,025,000	\$1,025,000	\$1,029,589	\$4,589	0.4%
Water Franchise Fee	\$450,325	\$450,325	\$424,503	-\$25,822	-5.7%
Sewer Franchise Fee	\$550,000	\$550,000	\$553,000	\$3,000	0.5%
Cable TV Franchise Fee	\$400,000	\$400,000	\$418,798	\$18,798	4.7%
<i>Utility Tax/Franchise Fee Subtotal</i>	\$4,702,010	\$4,702,010	\$4,988,191	\$286,181	6.1%
Gambling Tax	\$2,500,000	\$2,500,000	\$2,855,280	\$355,280	14.2%
State Revenue	\$740,350	\$737,933	\$805,673	\$67,740	9.2%
Parks & Recreation Revenue	\$647,987	\$668,303	\$717,720	\$49,417	7.4%
Fines & Forfeitures	\$101,000	\$101,000	\$176,890	\$75,890	75.1%
Grants & Misc. Revenue	\$754,377	\$745,734	\$744,012	-\$1,722	-0.2%
Transfers-In	\$2,160,896	\$2,160,896	\$2,160,897	\$1	0.00%
Total General Fund Revenue	\$28,548,505	\$24,465,884	\$25,530,266	\$1,064,382	4.4%

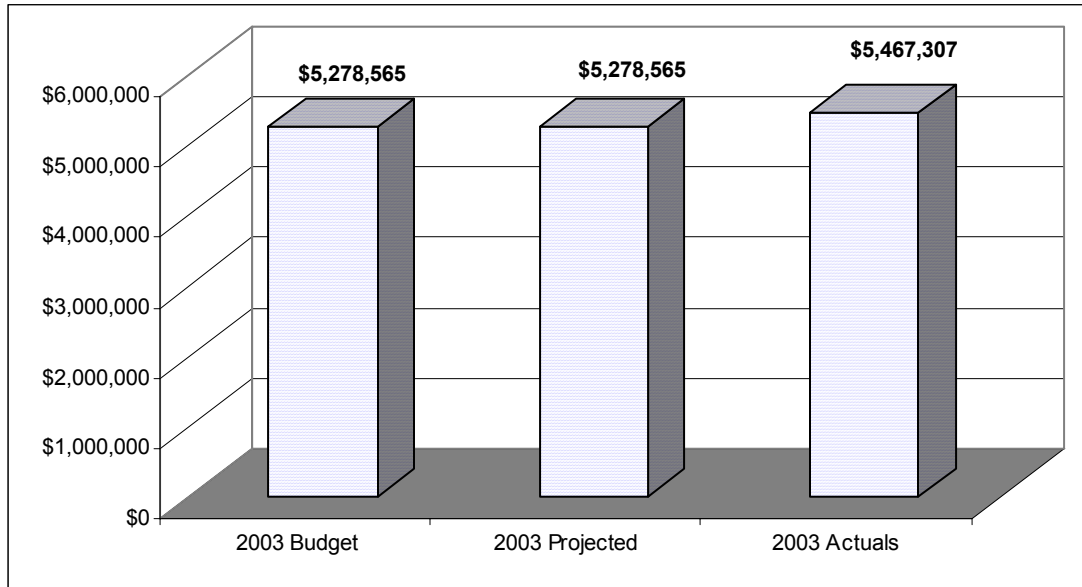
Property Tax Revenue



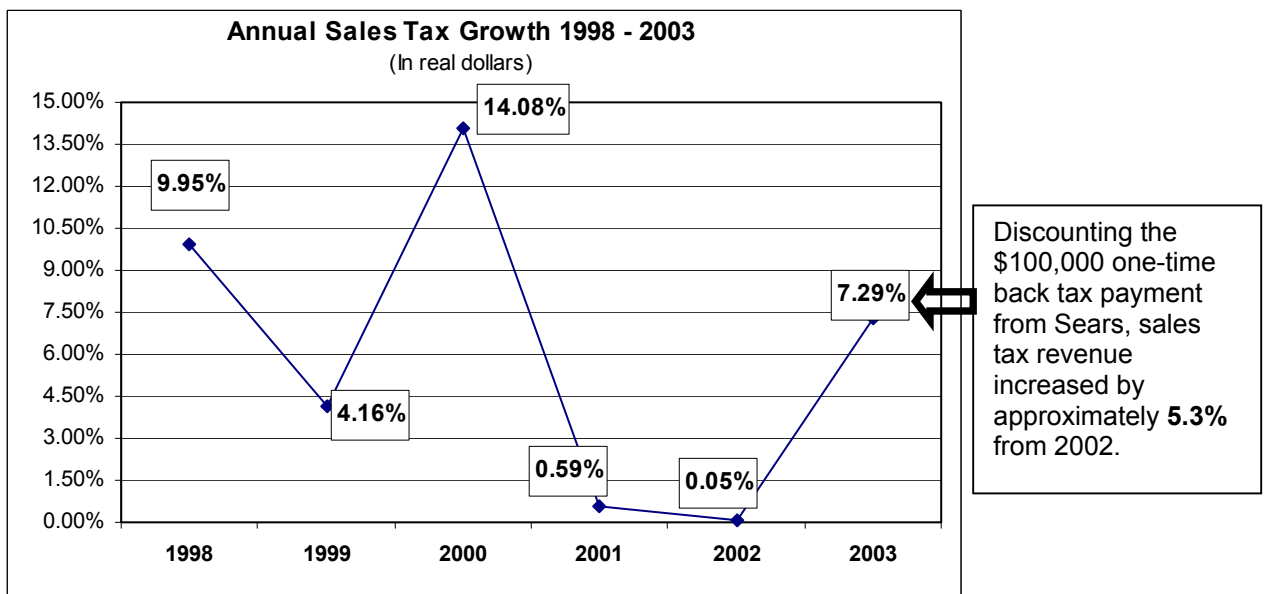
Property tax collections of \$6,600,489 exceeded projections but only by \$29,046 or 0.4%. The table below highlights the ongoing and fairly rapid decline of property tax revenue growth from 1999 – 2003.



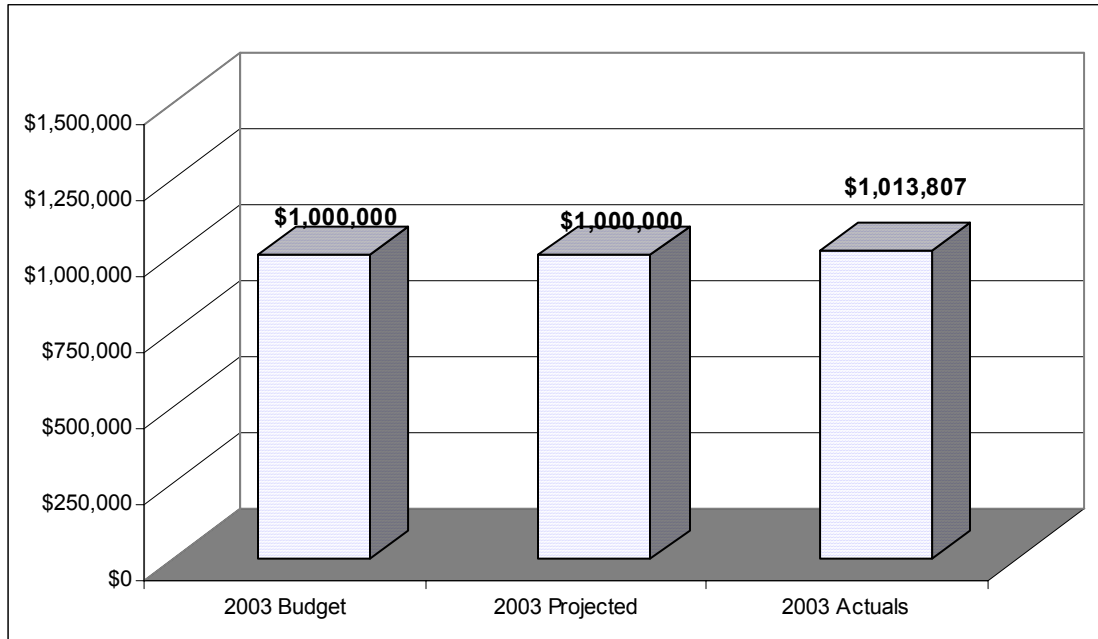
Sales Tax Revenue



Sales tax collections of \$5,467,307 are above projected revenue of \$5,278,565 by \$188,742 or 3.6%. Its important to note that after very slow growth years in 2001 and 2002 sales tax revenue increased by 7.29% over 2002. The chart immediately below illustrates the annual growth in sales tax revenue collected from 1998 – 2003. As the chart points out 2003 shows stronger than expected rebound in the City’s sales tax. A significant contributor to this revenue increase was the successful audit of Sears which resulted in a one-time back tax payment of approximately \$100,000 and an additional on-going monthly payment of roughly \$10,000.

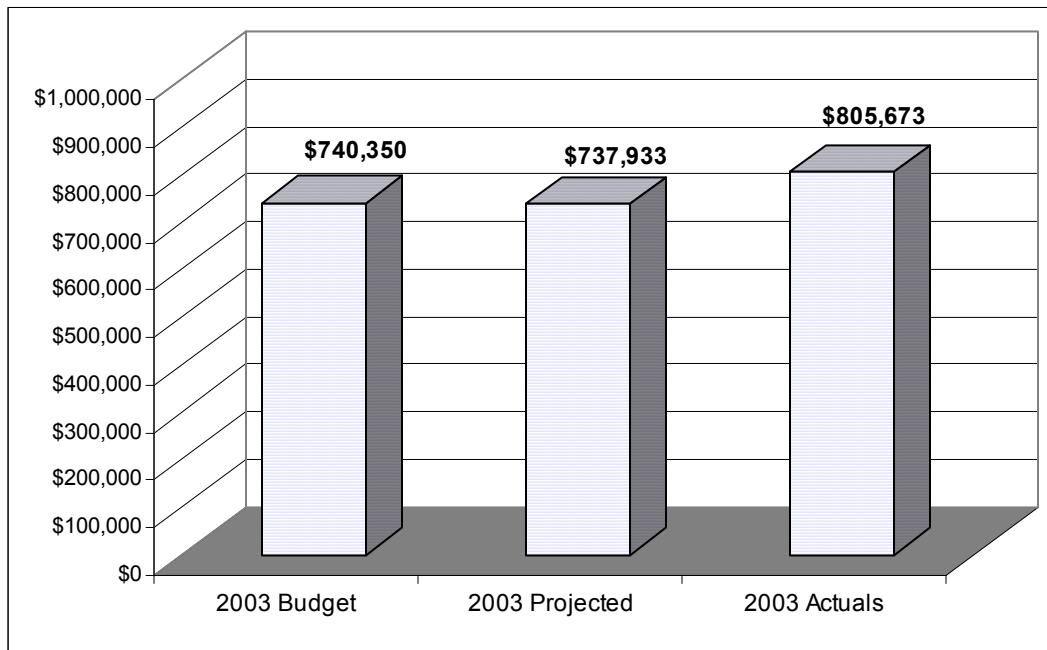


Criminal Justice Sales Tax Revenue



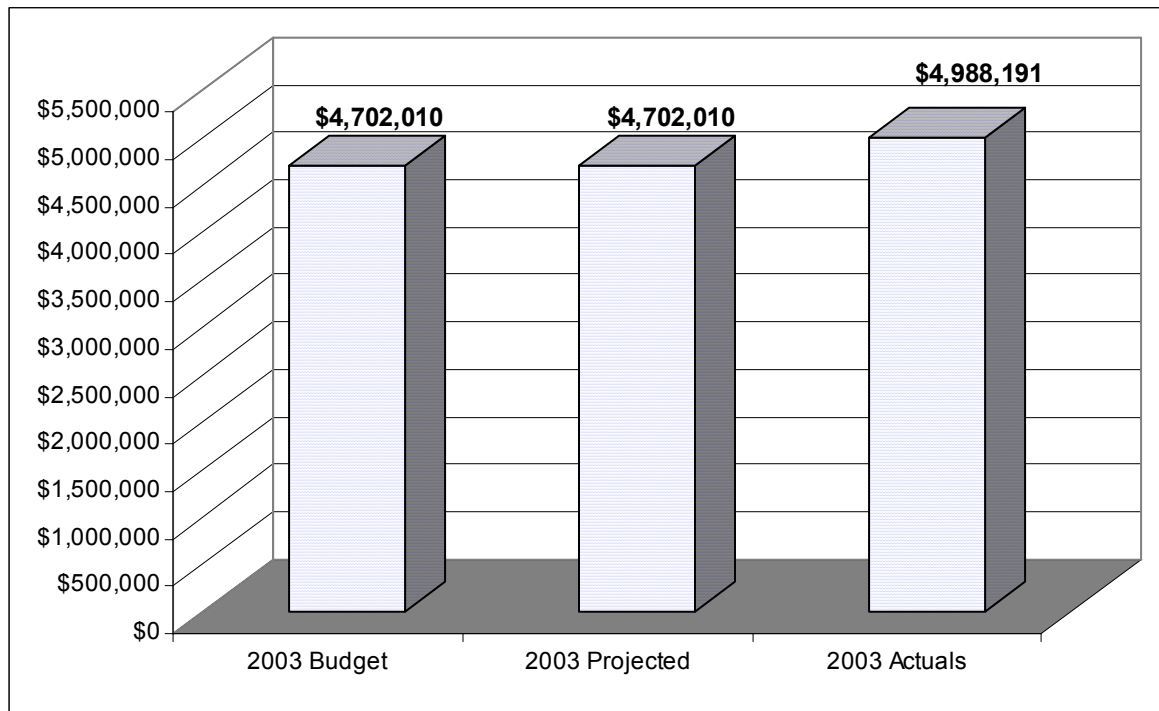
Local criminal justice sales tax of \$1,013,807 is slightly above projected revenue of \$1,000,000 by \$13,807 or 1.4%. This category differs from sales tax because it represents sales tax collected throughout King County and consequently does not reflect the sales tax experience within Shoreline. The distribution of the tax is based upon each city's population. What this revenue source does illustrate is that for 2003 the Shoreline retail economy out performed the regional economy of King County.

State Revenue



State Revenues of \$805,673 are above projected revenue of \$737,933 by \$67,740 or 9.2%. This is due in large part to increasing Liquor Board profits.

Utility Tax and Franchise Fee Revenue

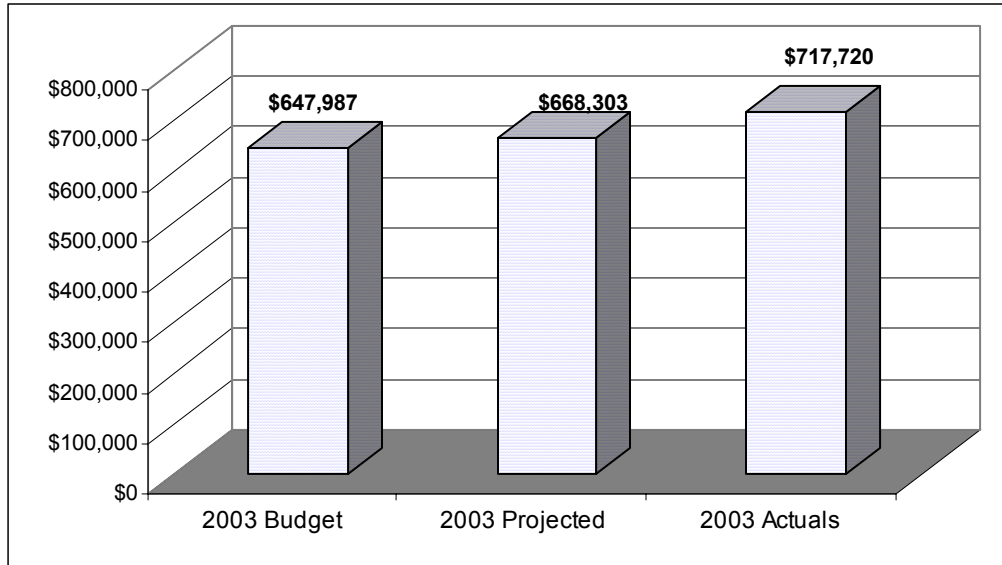


Utility tax and franchise fee revenue of \$4,988,191 exceeded projected revenue of \$4,702,010 by \$286,181 or 6.1%. The increase in revenue is due primarily to the following:

- Cellular and Telephone revenue increased by \$237,632 or 18% due to past audit findings that corrected a number of on-going consumer bills that were reporting tax to the wrong jurisdiction. The audits corrected a significant number of these bills and Shoreline is now receiving the on-going tax from these.
- Sanitation Franchise Fee revenue was up by \$58,569 or 19.9%.
- Cable TV franchise fee revenue was up slightly by \$18,798 or 4.7%.

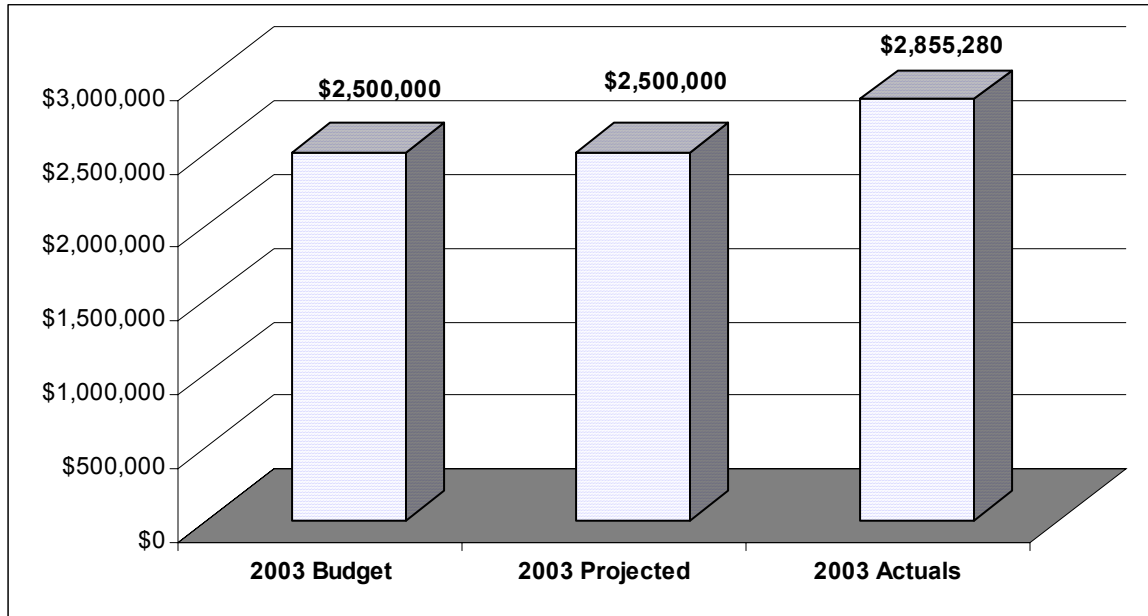
On the negative side water franchise fee revenue was down by \$25,822 or 5.7% due to decreases in consumption. Natural Gas revenue was down by 0.3% and Cable TV utility tax was down by 10.8%.

Parks and Recreation Fee Revenue



Parks' revenue collections of \$717,720 exceeded projected revenue of \$668,303 by \$49,417 or 7.4%. The increased revenue was generated by the Shoreline Pool at roughly \$20,000 over projections and athletic field rentals roughly \$30,000 over projections.

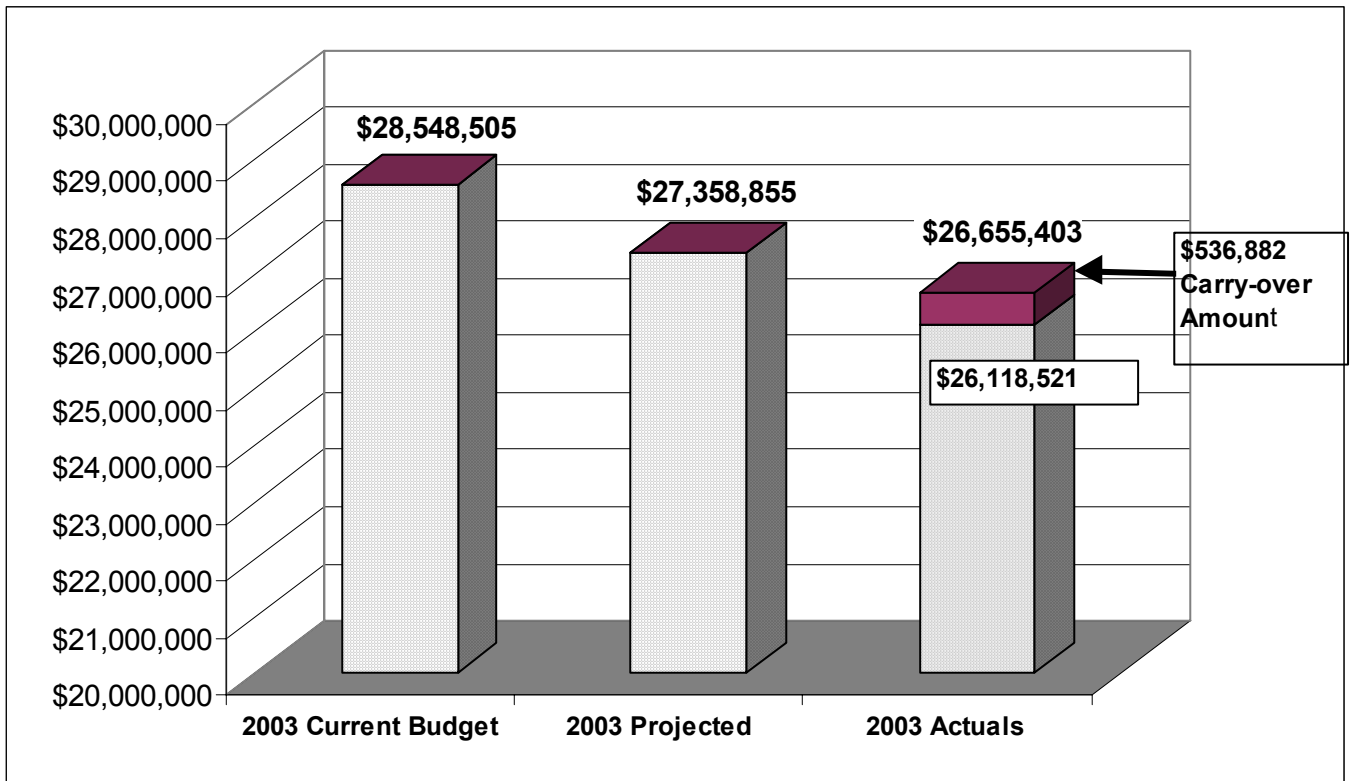
Gambling Revenue



Gambling tax revenue of \$2,855,280 exceeded projected revenue by \$355,280 or 14.2%. In comparison to 2002 gambling revenue increased by \$382,005 or 15.42%. Contributing to this increase was the first full quarter of operation of the Hollywood Casino that for fourth quarter at least did not diminish on a significant level the gambling revenue of the other Shoreline mini-casinos. It's important to note that this revenue is from only one quarter and it remains to be seen if the revenue growth exhibited in fourth quarter of 2003 can be maintained.

It is important to note that of the \$2,855,280 of earned revenue, \$147,158 has yet to be collected. The City is pursuing collection efforts.

General Fund Expenditures



Actual 2003 expenditures were \$26,118,521. This is \$1,240,334 or 4.5% below projected expenditures of \$27,358,855. In addition to the actual expenditures, staff has requested that \$536,882 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. Taking the carry over requests into consideration expenditures would total \$26,655,403 factoring in the 2003 carry-overs the actual under-expenditure drops from \$1,240,334 to \$703,452 which is just a 2.5% expenditure savings.

As the above data indicates the departments are spending much closer to their budgets than in previous years. This is a reflection of the maturity of the organization and the fact that it's operating at almost full capacity. This year considering the proposed carryovers only three departments showed significant expenditure savings and they are highlighted below:

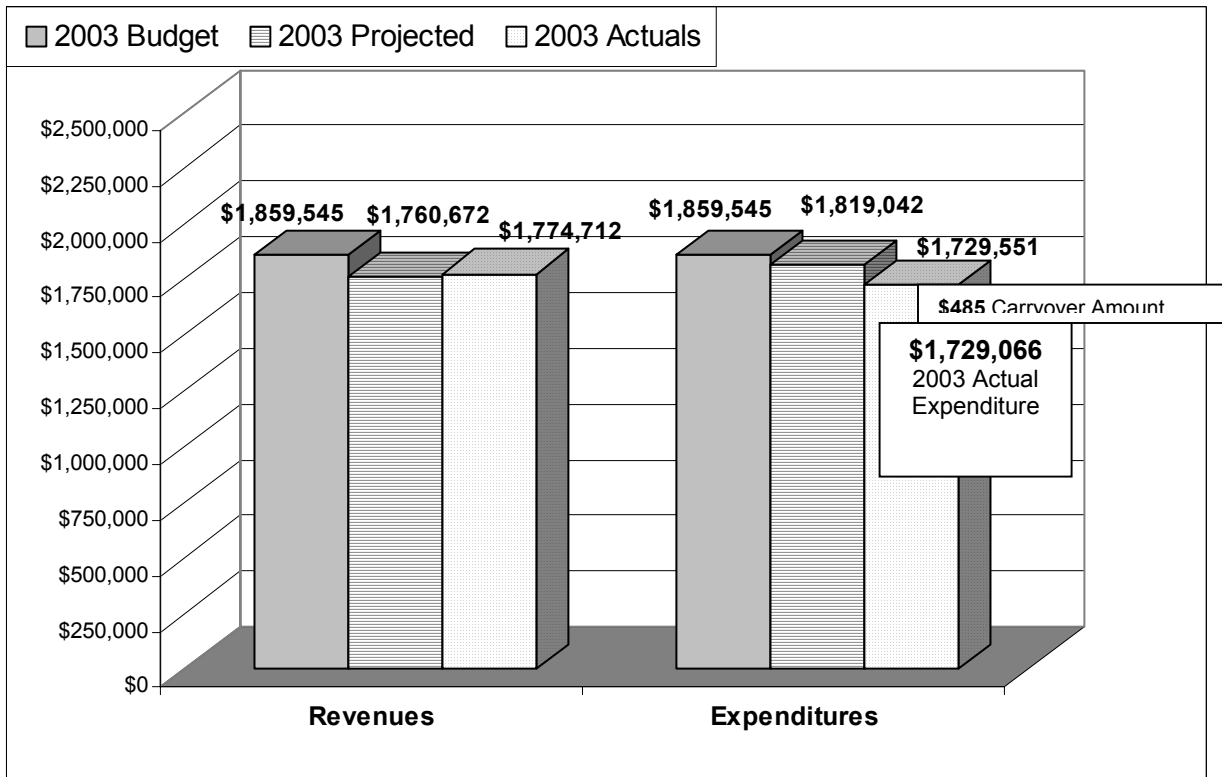
- Police expenditures were approximately \$267,519 or 5.9% less than projected. As mentioned earlier in the report this figure is subject to change as the County finishes its cost reconciliation. However, the City is still expecting the police contract to come in well under budget and has planned to use this savings to fund an additional officer as approved by Council.

- The Finance Department and specifically the IS Operations under expended their budget by roughly \$50,000 due to savings in software licenses.
- Planning and Development Services under expended its budget due to salary savings and savings on professional services contracts totaling \$104,708.

The following table displays the 2003 expenditure results of each department within the General Fund prior to carryover requests. Also each departments carryover request is listed but is not included in the dollar or percentage variance columns.

Department	2003 Current Budget	2003 Projected	2003 Actuals	\$\$ Variance Projected v. Actuals	% Variance	2003 Carry Over
City Council	\$137,931	\$137,931	\$135,798	-\$2,133	-2.1%	\$0
City Manager	\$704,288	\$688,288	\$693,797	\$5,509	1.1%	\$5,000
City Clerk	\$346,091	\$334,682	\$310,897	-\$23,785	-10.0%	\$0
C & IR	\$488,861	\$470,042	\$430,497	-\$39,545	-12.3%	\$41,152
City Attorney	\$324,942	\$271,876	\$235,161	-\$36,715	-17.7%	\$0
Human Services	\$475,043	\$456,943	\$453,235	-\$3,708	-1.2%	\$21,808
Finance	\$2,871,592	\$2,870,445	\$2,476,882	-\$393,563	-20.0%	\$257,379
Citywide	\$1,170,018	\$577,557	\$527,655	-\$49,902	-10.2%	\$1,923
Human Resoures	\$346,818	\$347,540	\$344,436	-\$3,104	-1.2%	\$0
Jail Contract	\$905,501	\$705,000	\$727,875	\$22,875	4.9%	\$0
District Court	\$5,000	\$5,000	\$0	-\$5,000	0.0%	\$0
Prosecuting Attorney	\$110,000	\$110,000	\$105,000	-\$5,000	-6.8%	\$0
Public Defense	\$146,208	\$146,208	\$131,314	-\$14,894	-15.2%	\$0
Domestic Violence	\$38,774	\$38,774	\$38,131	-\$643	-2.2%	\$0
Police	\$7,099,385	\$6,901,926	\$6,634,407	-\$267,519	-5.9%	\$0
Parks	\$2,771,031	\$2,757,753	\$2,724,583	-\$33,170	-1.7%	\$43,272
Economic Development	\$156,957	\$155,616	\$152,541	-\$3,075	-2.6%	\$553
PADS	\$1,326,594	\$1,278,976	\$1,028,261	-\$250,715	-24.7%	\$146,007
Customer Services	\$398,392	\$397,338	\$389,475	-\$7,863	-2.7%	\$0
Public Works	\$1,808,149	\$1,790,030	\$1,718,404	-\$71,626	-5.9%	\$19,788
Department Totals	\$21,631,575	\$20,441,925	\$19,258,349	-\$1,183,576	-5.8%	\$536,882
General Transfers Out	\$6,916,930	\$6,916,930	\$6,860,172	-\$56,758	-0.8%	\$0
Total General Fund	\$28,548,505	\$27,358,855	\$26,118,521	-\$1,240,334	-4.5%	\$536,882

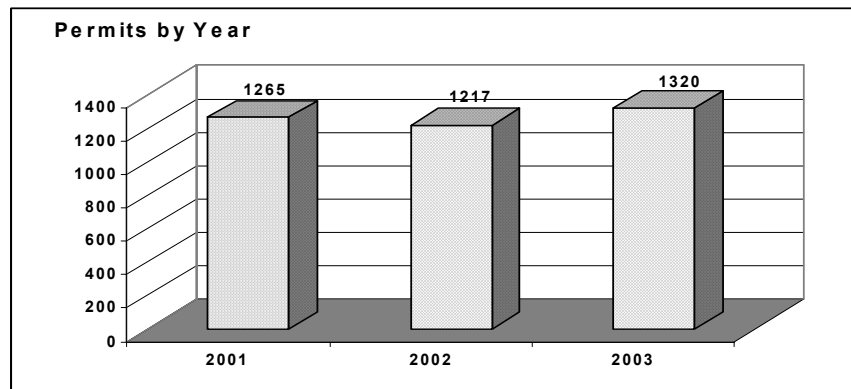
Development Services Fund



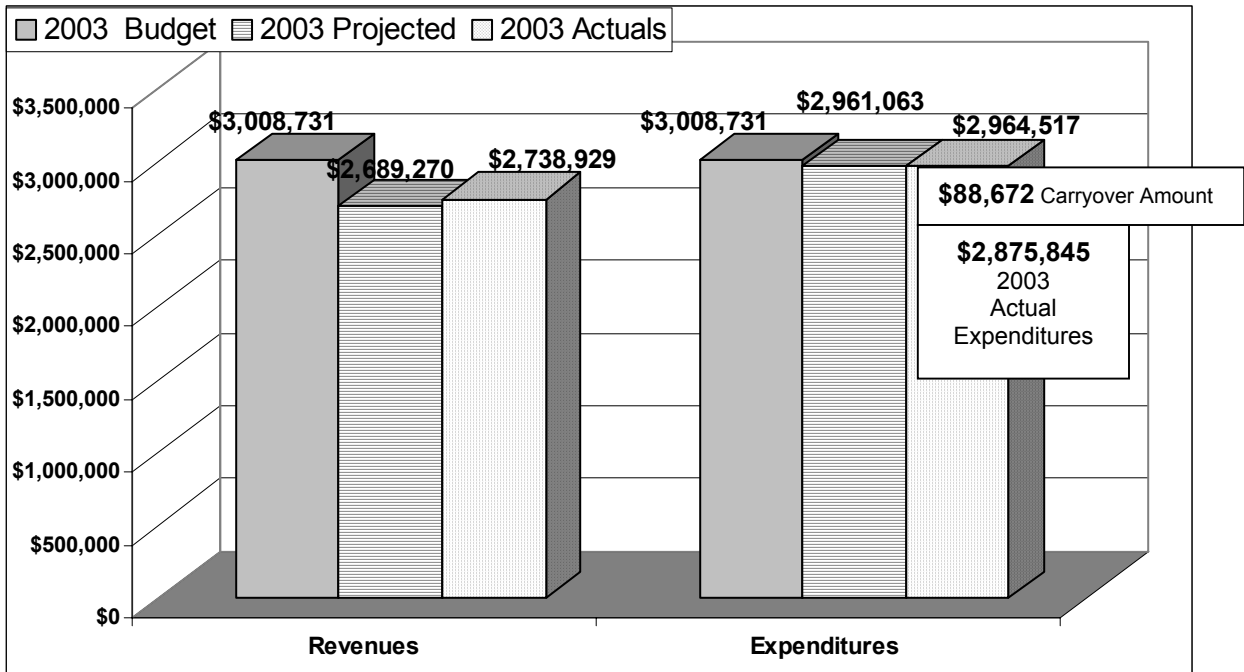
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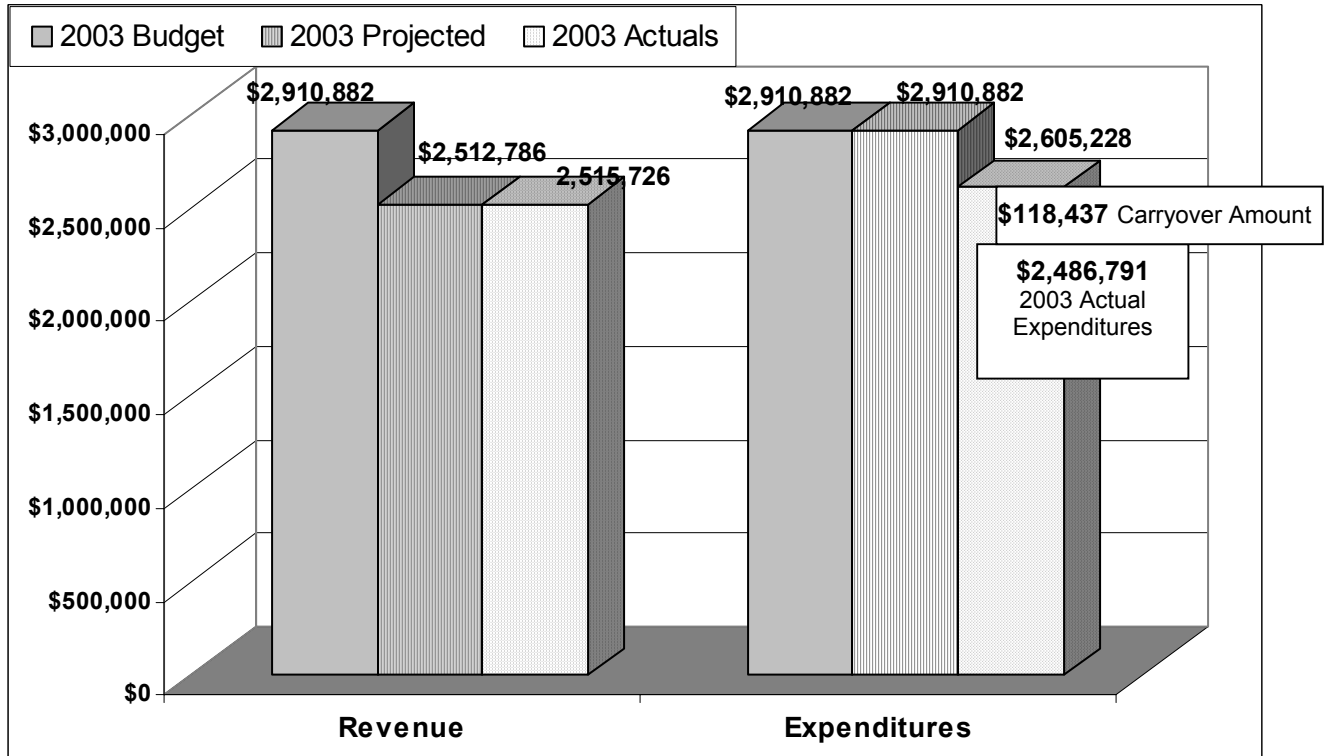
Street Fund



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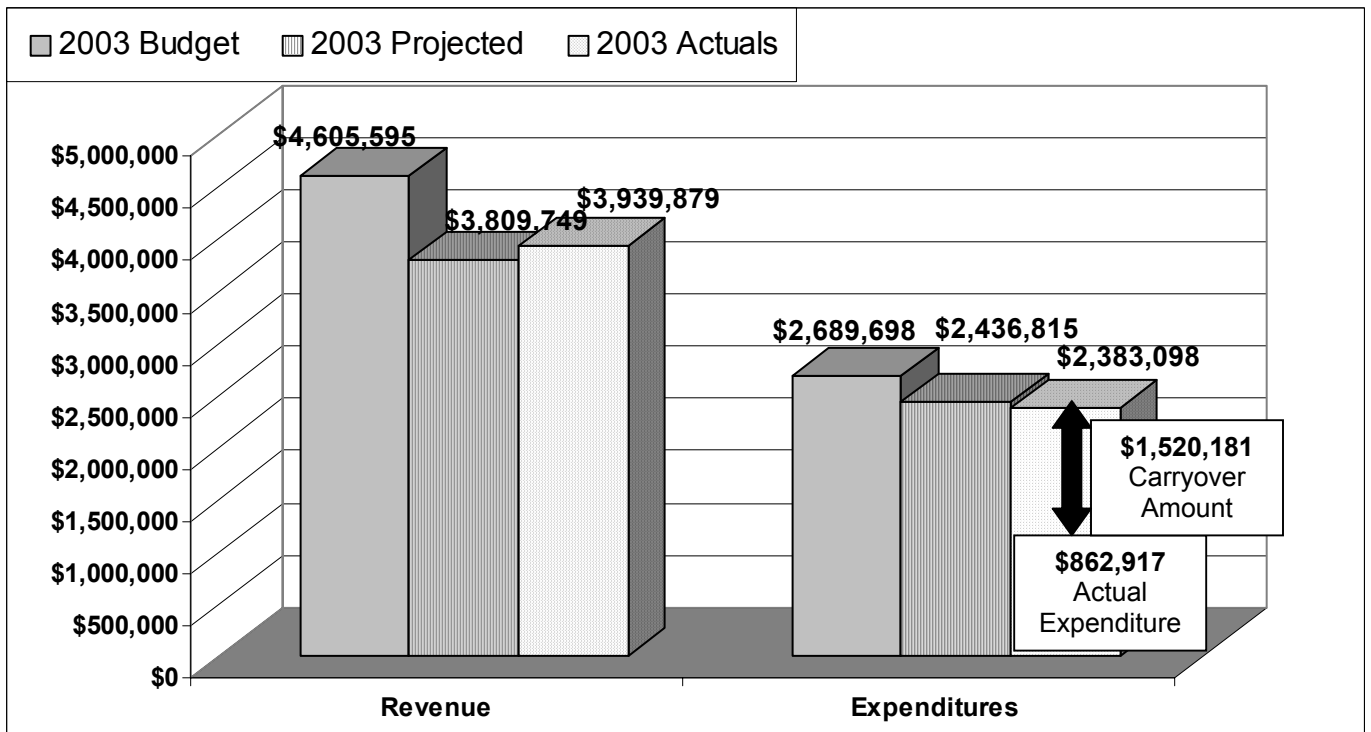
Surface Water Management Fund



Actual revenues for 2003 were \$2,515,726. This is \$2,940 or 0.12% above projected revenues of \$2,512,786.

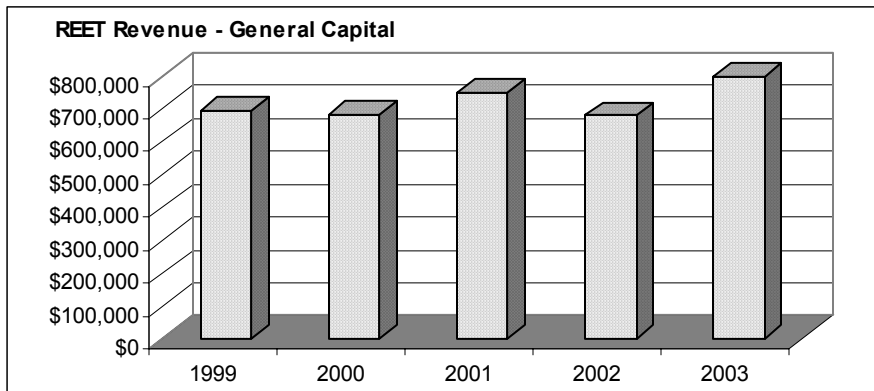
Actual expenditures for 2003 were \$2,486,791. This is \$424,091 or 14.57% below projected expenditures of \$2,910,882. In addition to 2003 expenditures staff has requested that \$118,437 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. The ending unreserved fund balance for 2003 is \$2,281,037, \$308,567 greater than projected.

General Capital Fund

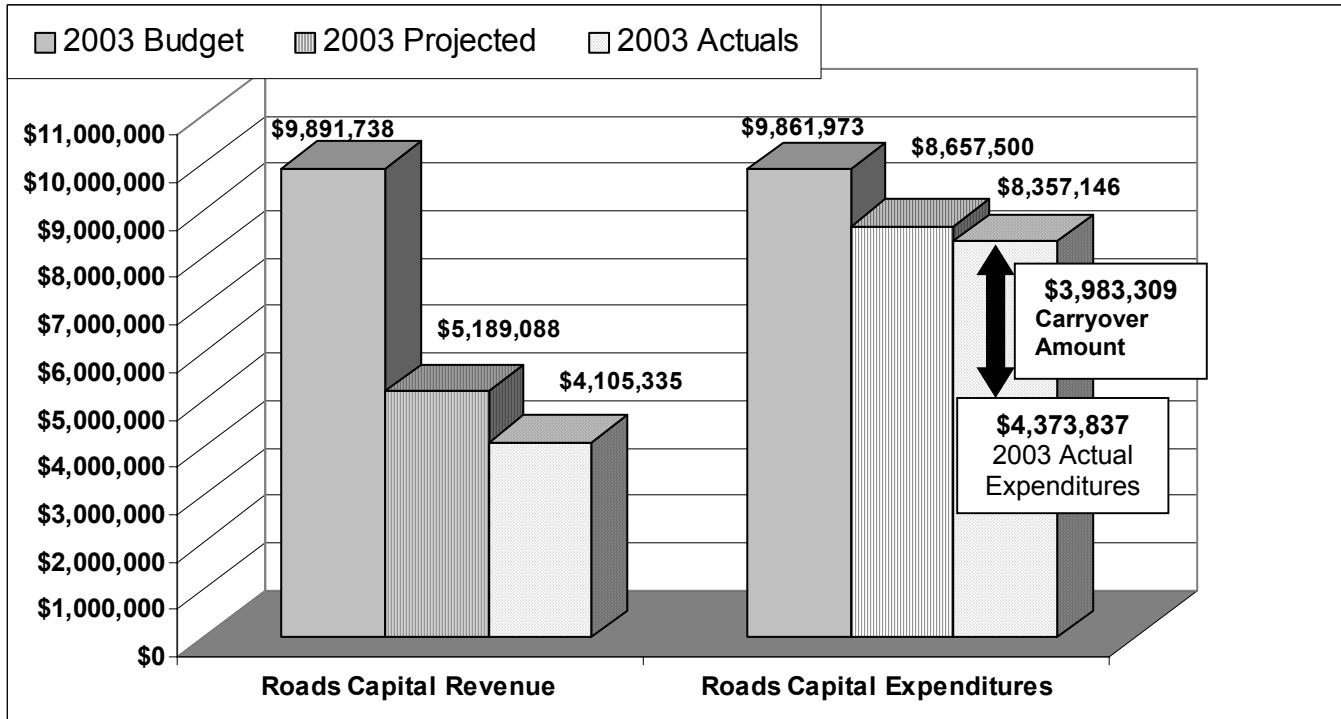


Actual revenues for 2003 were \$3,939,879. This is \$130,130 or 3.42% above projected revenues of \$3,809,749. Real Estate Excise Tax (REET) collections were \$201,457 above projections. In 2003 the real estate market continued to be very active as mortgage rates remained low.

Actual expenditures for 2003 were \$862,914. This is \$1,573,901 or 64.59% below projected expenditures of \$2,436,815. In addition to 2003 expenditures staff has requested that \$1,520,181 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. What this means is that the fund balance increased despite the carryover because of the significant 2003 under expenditure. The 2003 ending fund balance increased by \$1,606,781 from \$4,260,443 to \$5,867,227.

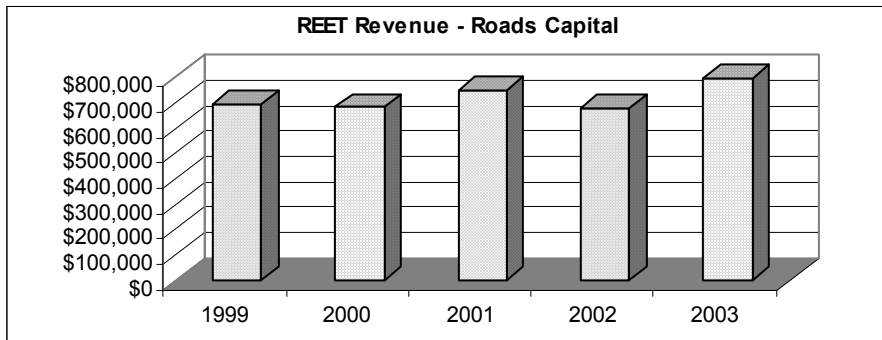


Roads Capital Fund

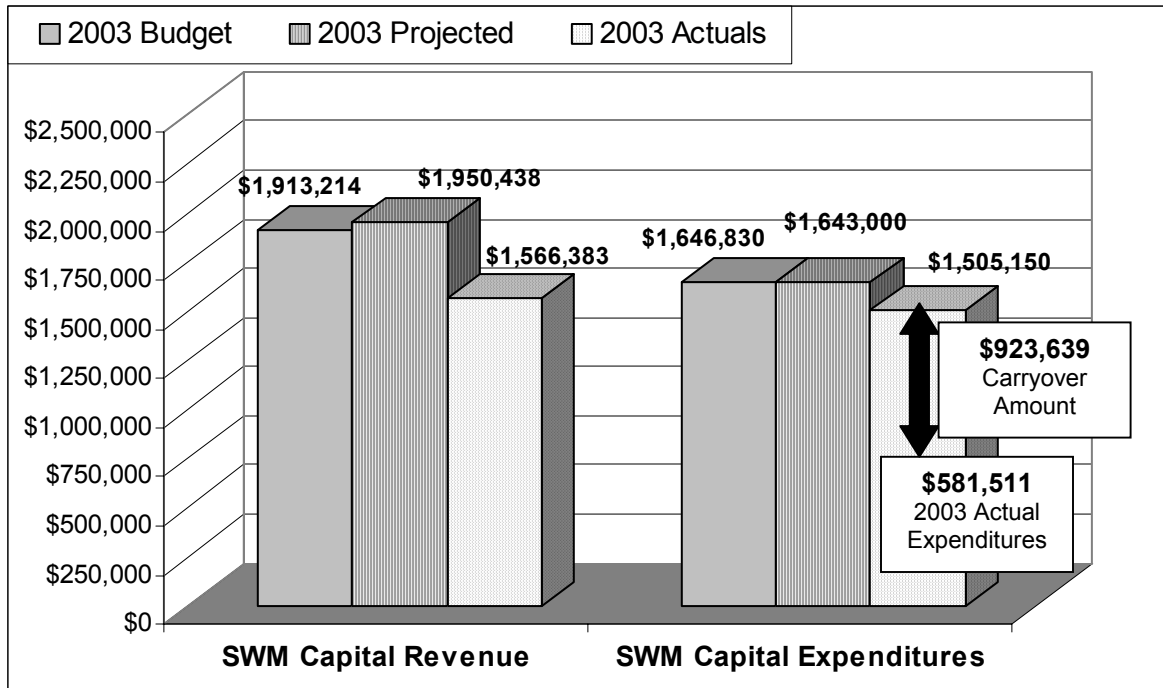


Actual revenues for 2003 were \$4,105,335. This is \$1,083,753 or 20.89% below projected revenues of \$5,189,088. This revenue decrease is due primarily to grant revenue not being received as projected since roads projects were not completed as scheduled. However, these grants are expected to be received in 2004 as the project work continues as a result staff has requested that \$1.8 million in grant revenue be carried over into 2004.

Actual expenditures for 2003 were \$4,373,837. This is \$4,283,663 or 49.48% below projected expenditures of \$8,657,500. In addition to 2003 expenditures staff has requested that \$3,983,309 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. What this means is that the fund balance decreased by \$2,409,158 from \$15,662,529 to \$13,253,371.



Surface Water Capital Fund



Actual revenues for 2003 were \$1,566,383. This is \$384,005 or 19.69% below projected revenues of \$1,950,438. This revenue decrease is due primarily to Public Works Trust Fund loans for Ronald Bog not being received yet. However, this loan is expected to be received in 2004 as a result staff has requested that \$429,766 in loan revenue be carried over into 2004.

Actual expenditures for 2003 were \$581,511. This is \$1,061,489 or 64.61% below projected expenditures of \$1,643,000. In addition to 2003 expenditures staff has requested that \$923,639 of unexpended, but obligated funds, be carried over into the 2004 budget via the re-appropriation process. What this means is that the fund balance increased by \$490,999 from \$2,468,014 to \$2,959,013.

City of Shoreline
Cash and Investments
December 31, 2003

On April 28, 2003 the Shoreline City Council adopted Resolution No. 204, which revised the City's financial policies regarding the investment of public funds. The updated investment policy has allowed the City to develop an investment program to maximize its investment returns within the primary objectives of safety and liquidity.

The City's investment strategy is passive and a buy and hold strategy will generally be followed – that is, investments once made will usually be held until maturity. Our yield objectives are very important. The basis used to determine whether the market yields are being achieved is through the use of a comparable benchmark to our portfolio investment duration. Our current benchmark has been identified as the annual average of the Washington State Local Government Investment Pool, which has been our primary mode of investment prior to adopting our Formal Investment Policy.

The following table illustrates our in-house investment activity, commencing August 8, 2003 after our investment procedures were developed. The table contains a description of each instrument, settlement date, investment cost, yield to maturity, maturity date, annualized interest calculated for 2003, the annual average of our established benchmark and a column illustrating annualized interest had all of our investments remained in the State Investment Pool:

**LGIP Cash and Investment Balances
December 31, 2003**

Instrument Type	Settlement Date	Investment Cost	Yield To Maturity	Maturity Date	Annualized Interest	Annualized Interest at LGIP rate (1.16%)
Certificate of Deposit	8/9/2003	10,000,000.00	1.2500%	08/09/04	125,000.00	116,000.00
FHLMC (Freddie Mac)	8/8/2003	10,000,563.47	1.1318%	02/06/04	113,186.38	116,006.54
FNMA (Fannie Mae)	8/11/2003	8,566,211.54	1.1949%	05/28/04	102,357.66	99,368.05
Certificate of Deposit	8/11/2003	1,400,000.00	1.4000%	05/11/04	19,600.00	16,240.00
<i>Sub Total</i>		<u>29,966,775.01</u>			<u>360,144.04</u>	<u>347,614.59</u>
Average Maturity (days)				278		
Average Yield to Maturity			1.2018%			
State Investment Pool		9,431,093.95	1.1600%	1		
Total Investments		39,397,868.96				

Note: Yield to Maturity for the State Investment Pool is a 12 month average.

The above table illustrates that our average yield to maturity for our 2003 investment portfolio, other than the State Investment Pool, was 1.2018%. Additionally the annualized interest columns illustrates that we earned \$12,529.45 more interest from our in-house investments as compared to holding our total portfolio within the State investment Pool at an average yield of 1.16%.

The following table illustrates the City's portfolio diversification by instrument type at December 31, 2003:

Portfolio Diversification

Instrument Type	Percentage	Amount
Certificate of Deposit	29%	11,400,000.00
FHLMC (Freddie Mac)	25%	10,000,563.47
FNMA (Fannie Mae)	22%	8,566,211.54
State Investment Pool	24%	9,431,093.95
Total Investments	100%	39,397,868.96