

City of Broadview Heights, Ohio

Basic Financial Statements

For the Year Ended December 31, 2003



**Auditor of State
Betty Montgomery**

City Council
City of Broadview Heights
9543 Broadview Road, Bldg. 7
Broadview Heights, Ohio 44147

We have reviewed the Independent Auditor's Report of the City of Broadview Heights, Cuyahoga County, prepared by Rea & Associates, 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 Broadview 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

December 29, 2004

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City of Broadview Heights, Ohio

For the Year Ended December 31, 2003

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City of Broadview Heights, Ohio

For the Year Ended December 31, 2003

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 20, 2004

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
To the City Council
City of Broadview 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 Broadview Heights, Ohio, 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 Broadview Heights 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 *Governmental 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 opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2004, on our consideration of the City of Broadview Heights, Ohio, internal control over financial reporting and 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 considering the results of our audit.

As stated in Note 3, the City of Broadview Heights, Ohio adopted Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus, No. 38, Certain Financial Statement Note Disclosures, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 thereon.

Rea & Associates, Inc.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

Our discussion and analysis of the City of Broadview Heights's financial performance provides an overview of the City's financial activities as of December 31, 2003.

Please read it in conjunction with the City's basic financial statements, which begin on page 15.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The City's net assets increased approximately \$1.2 million as a result of this year's operations. Net assets of our business-type activities decreased by approximately \$441,500, or 6.1%, and net assets of governmental activities increased by almost \$1.6 million, or 5.1%.
- The City issued General Obligation Bonds in 2003 of \$2.6 million for construction and improvement projects.

The Statement of Net Assets and the Statement of Activities (on pages 15 and 16-17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 18. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 15. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?". The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (land, roads, building, water and sewer lines etc...) to assess the *overall health* of the City.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

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

- **Governmental Activities** - Most of the City's basic services are reported here, including the police, fire, street and highway maintenance, capital improvement, vehicle acquisition, parks and recreation, and general administrative. Income taxes, property taxes, undivided local government, ambulance user fees and state and federal grants finance most of these activities.
- **Business-Type Activities** - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's sanitation operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 18. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. 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. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation alongside the fund financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special assessment bond fund, and grants fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 18.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

Proprietary Funds - When the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements begin on page 24.

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

The fiduciary fund financial statements begin on page 27.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

The City as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

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

(Table 1)
Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$ 21,103,259	\$ 24,018,708	\$ 706,527	\$ 681,825	\$ 21,809,786	\$ 24,700,533
Capital Assets, Net	32,040,052	26,906,629	6,149,849	6,596,416	38,189,901	33,503,045
Total Assets	<u>53,143,311</u>	<u>50,925,337</u>	<u>6,856,376</u>	<u>7,278,241</u>	<u>59,999,687</u>	<u>58,203,578</u>
Liabilities						
Current and Other Liabilities	4,177,138	4,683,569	23,693	12,288	4,200,831	4,695,857
Long Term Liabilities						
Due Within One Year	2,033,221	592,520	587	252	2,033,808	592,772
Due in More than One Year	13,873,286	14,189,422	9,871	2,042	13,883,157	14,191,464
Total Liabilities	<u>20,083,645</u>	<u>19,465,511</u>	<u>34,151</u>	<u>14,582</u>	<u>20,117,796</u>	<u>19,480,093</u>
Net Assets						
Invested in Capital Assets Net of Debt	17,020,930	12,860,533	6,149,849	6,596,416	23,170,779	19,456,949
Restricted						
Special Revenue	583,671	984,821	0	0	583,671	984,821
Debt Service	10,762,082	855,010	0	0	10,762,082	855,010
Capital Projects	107,364	12,095,773	0	0	107,364	12,095,773
Unrestricted (Deficit)	<u>4,585,619</u>	<u>4,663,689</u>	<u>672,376</u>	<u>667,243</u>	<u>5,257,995</u>	<u>5,330,932</u>
Total Net Assets	<u>\$ 33,059,666</u>	<u>\$ 31,459,826</u>	<u>\$ 6,822,225</u>	<u>\$ 7,263,659</u>	<u>\$ 39,881,891</u>	<u>\$ 38,723,485</u>

The City's *combined* net assets changed from a year ago, *increased* from \$38.7 million to \$39.9 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge.

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Net assets in the City's governmental activities increased by 5.1% (\$33.1 million compared to \$31.5 million). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased from \$4.7 million at December 31, 2002 to \$4.6 million at the end of 2003. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance increased by \$2.5 million. The investments in capital assets, net of debt category increased by \$4.2 million.

Net assets in the City's business-type activities decreased by 6.1% in 2003. The City can only use these net assets to finance the continuing operations of sanitary sewer maintenance.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
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(Unaudited)

Table 2
Change in Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 3,561,723	\$ 767,758	\$ 4,329,481
Operating Grants and Contributions	972,068	0	972,068
Capital Grants and Contributions	1,438,706	0	1,438,706
Total Program Revenues	<u>5,972,497</u>	<u>767,758</u>	<u>6,740,255</u>
<i>General Revenue:</i>			
City Income Taxes	7,449,331	0	7,449,331
Property Taxes	2,706,649	0	2,706,649
Hotel Tax	5,974	0	5,974
Grants and Contributions	1,277,704	0	1,277,704
Interest and Investment Earnings	95,969	7,012	102,981
Rentals	54,179	0	54,179
Other	119,359	100,585	219,944
Total General Revenues	<u>11,709,165</u>	<u>107,597</u>	<u>11,816,762</u>
<i>Total Revenues</i>	<u>17,681,662</u>	<u>875,355</u>	<u>18,557,017</u>
Program Expenses			
General Government	4,275,024	0	4,275,024
Security of Persons and Property	6,503,289	0	6,503,289
Public Health	54,963	0	54,963
Community Development	689,483	0	689,483
Transportation	2,225,875	0	2,225,875
Basic Utility	410,943	0	410,943
Leisure Time Activities	992,949	0	992,949
Interest on Long Term Debt	929,296	0	929,296
Sewer Maintenance	0	1,316,789	1,316,789
<i>Total Expenses</i>	<u>16,081,822</u>	<u>1,316,789</u>	<u>17,398,611</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$ 1,599,840</u>	<u>\$ (441,434)</u>	<u>\$ 1,158,406</u>

City of Broadview Heights
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Management's Discussion and Analysis
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(Unaudited)

Governmental Activities

The 2% income tax is the largest revenue source for the City. Income tax revenues are allocated based on City ordinance. The revenue and expense of collection of the income tax is allocated among the General Fund, the Safety Equipment Fund, the Fire Equipment Fund, the Streets Capital Improvement Fund and the Storm Sewer Maintenance Fund.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost	Net Cost
	2003	2003
General Government	\$ 4,275,024	\$ 1,652,722
Security of Persons and Property	6,503,289	6,065,484
Public Health	54,963	54,828
Community Development	689,483	689,483
Transportation	2,225,875	(21,020)
Basic Utility	410,943	410,943
Lesiure Time	992,949	327,589
Interest and Fiscal Charges	929,296	929,296
<i>Total Expenses</i>	\$ 16,081,822	\$ 10,109,325

The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

When looking at sources of income to support governmental activities, it should be noted that the charges for services are 20% of revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 13.6%. The remaining revenues are primarily generated locally through property taxes (15.3%) and income tax (42%).

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
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(Unaudited)

Business-Type Activities

The City's major Enterprise Fund consists of the Sewer Maintenance Fund. For a description of this funds, see accompanying Notes to the Basic Financial Statements.

The basic financial statements for the major funds are included in this report.

The City's Funds

Governmental Funds

Information about the City's major governmental funds begins on page 18. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$23.5 million and expenditures of \$24.8 million. The General Fund balance decreased \$303,043. Within the General Fund, expenditures exceeded revenue by \$274,530. This was the result of increased salary and benefit costs of employees due, in part, to the expiration of grant revenue for safety forces.

The Fire Levy Fund balance decreased by \$140,600. The General Bond Retirement Fund balance increased by \$34,376 and the OWDA Bond Retirement Fund decreased by \$131,006. The Streets Capital Improvement fund decreased by \$67,474, and the General Capital Improvement fund also decreased by \$368,508.

Proprietary Funds

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

Information about the City's major proprietary funds begins on page 24.

General Fund Budgeting Highlights

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Ordinance: all are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the departmental level. Any budgetary modifications at this level may only be made by resolution of City Council.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
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(Unaudited)

The Finance Director continually monitors the encumbrances and expenditures against the budgeted appropriations and against the County Auditor's Certificate of Estimated Resources. Using the budget prepared by the City the preceding July and including the carry over balances less carry over encumbrances at year-end, the County Auditor arrives at and issues the Certificate of Estimated Resources for the City. Ohio Law prohibits total fund appropriations from exceeding the amounts by fund on the County Auditor's certificate.

Differences between the original budget, the final amended budget, and actual were relatively minor.

Capital Asset and Debt Administration

Capital Assets

At the end of 2003, the City had approximately \$38 million invested in a broad range of capital assets, including police and fire equipment, land, buildings, park facilities, roads bridges, and water and sewer lines (see below). This amount represents a net increase of approximately \$4.7 million over last year. Table 4 shows fiscal year 2003 balances compared with 2002.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 1,165,450	\$ 1,165,450	\$ 0	\$ 0	\$ 1,165,450	\$ 1,165,450
Construction in Progress	1,951,639	3,121,200	0	0	1,951,639	3,121,200
Buildings and Improvements	5,228,223	3,624,175	617,084	645,505	5,845,307	4,269,680
Improvements	813,762	498,847	0	0	813,762	498,847
Furniture and Fixtures	20,299	22,865	0	0	20,299	22,865
Machinery and Equipment	607,061	489,135	75,052	87,917	682,113	577,052
Vehicles	1,119,287	1,160,586	0	0	1,119,287	1,160,586
Infrastructure	21,134,331	16,824,371	5,457,713	5,862,994	26,592,044	22,687,365
Totals	<u>\$32,040,052</u>	<u>\$26,906,629</u>	<u>\$ 6,149,849</u>	<u>\$ 6,596,416</u>	<u>\$38,189,901</u>	<u>\$ 33,503,045</u>

This year's major capital asset activity included the following:

- Construction was completed on a service department garage at a cost of \$1,625,514.
- Improvements to the Broadview Center complex were completed at a cost of \$296,351
- The widening and improvement of Broadview Road and Royalton Road, the major artery in the City was completed at a cost of \$4,782,407.

More detailed information about the City's capital assets is presented in Note 9 to the basic financial statements.

City of Broadview Heights
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(Unaudited)

Debt

At December 31, 2003, the City had \$9.2 million in bonds and \$15.2 in OWDA loans.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2003	Governmental Activities 2002
General Obligation Bonds	\$ 5,469,379	\$ 4,270,479
Special Assessment Bonds	3,701,577	2,664,443
OWDA Loans	5,130,166	5,674,744
Totals	\$ 14,301,122	\$ 12,609,666

At December 31, 2003, the City had outstanding long-term debt obligations in the amount of \$14.3 million up from \$12.6 million in 2002 for the governmental activities which represents a 13.4% increase.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Linda Pertz, Director of Finance, 9543 Broadview Road, Bldg 7, Broadview Heights, Ohio 44147.

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 5,996,304	\$ 392,544	\$ 6,388,848
Receivables:			
Accounts	173,084	213,983	387,067
Internal Balances	(100,000)	100,000	0
Taxes	5,206,344	0	5,206,344
Intergovernmental	798,398	0	798,398
Special Assessments	9,029,129	0	9,029,129
Noncurrent Assets:			
Land and Construction in Progress	3,117,089	0	3,117,089
Other Capital Assets, Net of Depreciation	28,922,963	6,149,849	35,072,812
<i>Total Assets</i>	<u>53,143,311</u>	<u>6,856,376</u>	<u>59,999,687</u>
Liabilities			
Current Liabilities:			
Accounts Payable	187,136	8,123	195,259
Contracts Payable	315,509	0	315,509
Intergovernmental Payable	401,583	10,665	412,248
Accrued Salaries, Wages and Benefits	213,973	4,905	218,878
Deferred Revenue	3,058,937	0	3,058,937
Non Current Liabilities:			
Due Within One Year	2,033,221	587	2,033,808
Due In More Than One Year	13,873,286	9,871	13,883,157
<i>Total Liabilities</i>	<u>20,083,645</u>	<u>34,151</u>	<u>20,117,796</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	17,020,930	6,149,849	23,170,779
Restricted for:			
Special Revenue	583,671	0	583,671
Debt Service	10,762,082	0	10,762,082
Capital Projects	107,364	0	107,364
Unrestricted	4,585,619	672,376	5,257,995
<i>Total Net Assets</i>	<u>\$ 33,059,666</u>	<u>\$ 6,822,225</u>	<u>\$ 39,881,891</u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government	\$ 4,275,024	\$ 2,546,236	\$ 76,066	\$ 0
Security of Persons and Property	6,503,289	16,963	420,842	0
Public Health	54,963	135	0	0
Community Development	689,483	0	0	0
Transportation	2,225,875	333,029	475,160	1,438,706
Basic Utility	410,943	0	0	0
Lesiure Time	992,949	665,360	0	0
Interest and Fiscal Charges	929,296	0	0	0
<i>Total Governmental Activities</i>	<u>16,081,822</u>	<u>3,561,723</u>	<u>972,068</u>	<u>1,438,706</u>
Business-Type Activities				
Sewer	<u>1,316,789</u>	<u>767,758</u>	<u>0</u>	<u>0</u>
<i>Total Business-Type Activities</i>	<u>1,316,789</u>	<u>767,758</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$ 17,398,611</u>	<u>\$ 4,329,481</u>	<u>\$ 972,068</u>	<u>\$ 1,438,706</u>

General Revenues:
Municipal Income Tax Levied For:
 General Purposes
 Other Purposes
 Capital Outlay
Property Taxes Levied For:
 General Purposes
 Other Purposes
 Debt Service
Hotel Tax
Grants and Entitlements not Restricted
to Specific Programs
Interest and Investment Earnings
Rentals
Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,652,722)	\$ 0	\$ (1,652,722)
(6,065,484)	0	(6,065,484)
(54,828)	0	(54,828)
(689,483)	0	(689,483)
21,020	0	21,020
(410,943)	0	(410,943)
(327,589)	0	(327,589)
(929,296)	0	(929,296)
<u>(10,109,325)</u>	<u>0</u>	<u>(10,109,325)</u>
<u>0</u>	<u>(549,031)</u>	<u>(549,031)</u>
<u>0</u>	<u>(549,031)</u>	<u>(549,031)</u>
<u>(10,109,325)</u>	<u>(549,031)</u>	<u>(10,658,356)</u>
5,236,467	0	5,236,467
74,593	0	74,593
2,138,271	0	2,138,271
1,136,023	0	1,136,023
1,529,169	0	1,529,169
41,457	0	41,457
5,974	0	5,974
1,277,704	0	1,277,704
95,969	7,012	102,981
54,179	0	54,179
119,359	100,585	219,944
<u>11,709,165</u>	<u>107,597</u>	<u>11,816,762</u>
1,599,840	(441,434)	1,158,406
<u>31,459,826</u>	<u>7,263,659</u>	<u>38,723,485</u>
<u>\$ 33,059,666</u>	<u>\$ 6,822,225</u>	<u>\$ 39,881,891</u>

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

	General	Fire Levy Fund	General Bond Retirement	OWDA Bond Retirement	Streets Capital Improvement
Assets					
Equity in Pooled Cash and Investments	\$ 1,405,476	\$ 40,760	\$ 406,845	\$ 1,318,615	\$ 1,057,034
Receivables:					
Trade (Net of Allowance)	111,885	0	0	0	20,566
Interfund Receivable	139,678	0	0	0	11,000
Taxes	2,785,054	1,554,899	48,590	0	463,397
Intergovernment	350,076	170,641	5,333	0	0
Assessments	0	0	6,809,765	2,219,364	0
<i>Total Assets</i>	<u>\$ 4,792,169</u>	<u>\$ 1,766,300</u>	<u>\$ 7,270,533</u>	<u>\$ 3,537,979</u>	<u>\$ 1,551,997</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	\$ 145,573	\$ 5,760	\$ 0	\$ 0	\$ 0
Contracts Payable	0	0	0	0	126,760
Intergovernmental Payable	179,606	34,298	0	0	0
Interfund Payable	0	50,000	0	0	0
Accrued Salaries, Wages and Benefits	151,744	42,218	0	0	0
Deferred Revenue	2,122,437	1,725,540	6,863,688	2,219,364	174,347
<i>Total Liabilities</i>	2,599,360	1,857,816	6,863,688	2,219,364	301,107
Fund Balance:					
Reserved for Encumbrances	47,130	2,482	0	0	113,125
Unreserved:					
Undesignated, Reported In:					
General Fund	2,145,679	0	0	0	0
Special Revenue Funds	0	(93,998)	0	0	0
Debt Service Fund	0	0	406,845	1,318,615	0
Capital Projects Funds	0	0	0	0	1,137,765
<i>Total Fund Balances</i>	<u>2,192,809</u>	<u>(91,516)</u>	<u>406,845</u>	<u>1,318,615</u>	<u>1,250,890</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,792,169</u>	<u>\$ 1,766,300</u>	<u>\$ 7,270,533</u>	<u>\$ 3,537,979</u>	<u>\$ 1,551,997</u>

See accompanying notes to the basic financial statements.

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

General Capital Improvement	Other Governmental Funds	Total Governmental Funds		
			Total Governmental Fund Balances	\$ 6,605,321
			<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 485,182	\$ 1,282,392	\$ 5,996,304	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,040,052
0	40,633	173,084		
0	162,000	312,678		
0	354,404	5,206,344	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
0	272,348	798,398	Delinquent Property Taxes	142,303
0	0	9,029,129	Municipal Income Tax	730,256
			Special Assessments	9,029,129
<u>\$ 485,182</u>	<u>\$ 2,111,777</u>	<u>\$ 21,515,937</u>	Intergovernmental	<u>596,909</u>
				10,498,597
\$ 4,656	\$ 31,147	\$ 187,136	Intergovernmental payables includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore, not reported in the funds.	(177,797)
118,984	69,765	315,509		
0	9,882	223,786	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
100,000	262,678	412,678	General Obligation Bonds	(5,469,379)
0	20,011	213,973	Special Assessment Bonds	(3,701,577)
0	452,158	13,557,534	OWDA Bonds	(5,130,166)
223,640	845,641	14,910,616	Long Term Notes Payable	(718,000)
			Compensated Absences Payable	<u>(887,385)</u>
18,793	155,575	337,105		<u>(15,906,507)</u>
0	0	2,145,679	Net Assets of Governmental Activities	<u>\$ 33,059,666</u>
0	575,237	481,239		
0	0	1,725,460		
242,749	535,324	1,915,838		
<u>261,542</u>	<u>1,266,136</u>	<u>6,605,321</u>		
<u>\$ 485,182</u>	<u>\$ 2,111,777</u>	<u>\$ 21,515,937</u>		

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

	General	Fire Levy Fund	General Bond Retirement	OWDA Bond Retirement	Streets Capital Improvement
Revenues					
Local Taxes	\$ 6,380,260	\$ 1,333,453	\$ 41,625	\$ 0	\$ 1,724,646
Intergovernmental Revenue	755,582	412,121	5,283	0	1,438,706
Fees Licenses and Permits	1,861,115	0	0	0	15,017
Special Assessments	82,312	0	690,265	546,234	0
Charges for Services	492,747	0	0	0	0
Interest Income	40,280	3,938	0	22,736	21,613
Rentals	41,169	0	0	0	0
Gifts and Donations	635	0	0	0	0
Miscellaneous	6,322	21,776	0	6,724	3,856
<i>Total Revenues</i>	9,660,422	1,771,288	737,173	575,694	3,203,838
Expenditures					
Current:					
General Government	4,256,352	0	0	0	0
Security of Persons and Property	3,517,408	1,940,401	0	0	0
Public Health	49,498	0	0	0	0
Community Development	517,158	0	0	0	0
Transportation	647,557	0	0	0	0
Basic Utility	410,943	0	0	0	0
Lesiure Time	298,437	0	0	0	0
Capital Outlay	0	0	0	0	3,141,850
Debt Service:					
Principal Retirement	98,400	0	470,322	399,822	0
Interest and Fiscal Charges	139,199	0	433,861	306,878	0
<i>Total Expenditures</i>	9,934,952	1,940,401	904,183	706,700	3,141,850
<i>Excess of Revenues Over (Under) Expenditures</i>	(274,530)	(169,113)	(167,010)	(131,006)	61,988
Other Financing Sources (Uses)					
Proceeds of Bonds	0	0	0	0	0
Proceeds of Notes	0	0	0	0	0
Transfers In	0	28,513	201,386	0	0
Transfers Out	(28,513)	0	0	0	(129,462)
<i>Total Other Financing Sources (Uses)</i>	(28,513)	28,513	201,386	0	(129,462)
Net Change in Fund Balance	(303,043)	(140,600)	34,376	(131,006)	(67,474)
<i>Fund Balance/Net Assets Beginning of Year</i>	2,495,852	49,084	372,469	1,449,621	1,318,364
<i>Fund Balance/Net Assets End of Year</i>	\$ 2,192,809	\$ (91,516)	\$ 406,845	\$ 1,318,615	\$ 1,250,890

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2003

General Capital Improvement	Other Governmental Funds	Total Governmental Funds		
			Net Change in Fund Balances - Total Governmental Funds	\$ (1,288,367)
			<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$ 0	\$ 699,656	\$ 10,179,640	However, in the statement of activities, the cost of those depreciation exceeded capital outlay in the current period.	
0	598,325	3,210,017	Capital Asset Additions	6,813,123
0	305,672	2,181,804	Current Year Depreciation	<u>(1,642,941)</u>
400,814	0	1,719,625		5,170,182
0	863,167	1,355,914		
2,134	5,268	95,969		
0	13,010	54,179	Net effect of transactions involving sale of capital assets are not reflected in the funds	(36,759)
0	0	635		
<u>61,410</u>	<u>18,636</u>	<u>118,724</u>		
464,358	2,503,734	18,916,507	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
0	440,379	4,696,731	Delinquent Property Taxes	3,904
0	376,255	5,834,064	Municipal Income Tax	(21,589)
0	5,465	54,963	Special Assessments	(1,236,499)
0	0	517,158	Intergovernmental	<u>19,339</u>
0	615,802	1,263,359		(1,234,845)
0	0	410,943	The issuance of long term debt provides current financial resources to the governmental funds while the repayment of principal of long term debt consumes the current financial resources, but reduces long-term liabilities in the statement of net assets.	
0	661,868	960,305		
1,401,980	1,967,251	6,511,081	Proceeds from Bonds and Notes	(4,602,000)
1,436,430	1,224,000	3,628,974	Bond principal	423,966
40,532	8,826	929,296	OWDA principal	544,578
2,878,942	5,299,846	24,806,874	Note principal	<u>2,660,430</u>
(2,414,584)	(2,796,112)	(5,890,367)		(973,026)
1,400,000	1,260,000	2,660,000	Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.	
718,000	1,224,000	1,942,000	Compensated Absences	(151,539)
0	0	229,899	Pension Obligation	<u>114,194</u>
<u>(71,924)</u>	<u>0</u>	<u>(229,899)</u>		(37,345)
2,046,076	2,484,000	4,602,000	Change in Net Assets of Governmental Activities	<u>\$ 1,599,840</u>
(368,508)	(312,112)	(1,288,367)		
630,050	1,578,248	7,893,688		
<u>\$ 261,542</u>	<u>\$ 1,266,136</u>	<u>\$ 6,605,321</u>		

City of Broadview Heights, Ohio
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended December 31, 2003*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 6,464,759	\$ 6,638,395	\$ 6,605,401	\$ (32,994)
Intergovernmental Revenue	506,279	520,152	517,516	(2,636)
Fees Licenses and Permits	1,765,044	1,816,917	1,807,060	(9,857)
Special Assessments	80,525	82,731	82,312	(419)
Charges for Services	473,822	486,805	484,338	(2,467)
Interest Income	39,405	40,485	40,280	(205)
Rentals	40,275	41,379	41,169	(210)
Gifts and Donations	621	635	635	0
Miscellaneous	5,678	5,834	5,804	(30)
<i>Total Revenues</i>	9,376,408	9,633,333	9,584,515	(48,818)
Expenditures				
Current:				
General Government	4,061,049	4,273,342	4,216,656	(56,686)
Security of Persons and Property	3,637,676	3,641,121	3,637,941	(3,180)
Public Health	49,498	49,498	49,498	0
Community Development	539,000	532,351	532,338	(13)
Transportation	629,500	650,569	650,569	0
Basic Utility	392,000	396,582	396,582	0
Lesiure Time	306,556	303,798	303,798	0
Debt Service:				
Principal Retirement	98,400	98,400	98,400	0
Interest and Fiscal Charges	139,200	139,199	139,199	0
<i>Total Expenditures</i>	9,852,879	10,084,860	10,024,981	(59,879)
<i>Excess of Revenues Over (Under) Expenditures</i>	(476,471)	(451,527)	(440,466)	11,061
Other Financing Sources (Uses)				
Gain/Loss on Sale of Capital Assets	0	0	73	73
Transfers Out	0	(28,513)	(28,513)	0
<i>Total Other Financing Sources (Uses)</i>	0	(28,513)	(28,440)	73
<i>Net Change in Fund Balance</i>	(476,471)	(480,040)	(468,906)	11,134
<i>Fund Balance Beginning of Year</i>	1,679,587	1,679,587	1,679,587	0
Prior Year Encumbrances Appropriated	98,892	98,892	98,892	0
<i>Fund Balance End of Year</i>	<u>\$ 1,302,008</u>	<u>\$ 1,298,439</u>	<u>\$ 1,309,573</u>	<u>\$ 11,134</u>

City of Broadview Heights, Ohio
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Fire Levy Fund
 For the Fiscal Year Ended December 31, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Local Taxes	\$ 1,515,923	\$ 1,509,111	\$ 1,509,111	\$ 0
Intergovernmental Revenue	234,497	236,463	236,463	0
Interest Income	3,905	3,938	3,938	0
Miscellaneous	1,585	21,776	21,776	0
<i>Total Revenues</i>	1,755,910	1,771,288	1,771,288	0
Expenditures				
Current:				
Security of Persons and Property	1,900,405	1,936,233	1,936,233	0
<i>Total Expenditures</i>	1,900,405	1,936,233	1,936,233	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(144,495)	(164,945)	(164,945)	0
Other Financing Sources (Uses)				
Advances In	50,000	50,000	50,000	0
Transfers In	28,513	28,513	28,513	0
<i>Total Other Financing Sources (Uses)</i>	78,513	78,513	78,513	0
<i>Net Change in Fund Balance</i>	(65,982)	(86,432)	(86,432)	0
<i>Fund Balance Beginning of Year</i>	117,537	117,537	117,537	0
Prior Year Encumbrances Appropriated	3,833	3,833	3,833	0
<i>Fund Balance End of Year</i>	<u>\$ 55,388</u>	<u>\$ 34,938</u>	<u>\$ 34,938</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio

Statement of Net Assets

Proprietary Funds

Decemer 31, 2003

	Business-Type Activities Enterprise Fund Sewer Maintenance
Assets	
Current:	
Equity in Pooled Cash and Investments	\$ 392,544
Receivables:	
Trade (Net of Allowance)	213,983
Due from Other Funds	100,000
Total Current Assets	<u>706,527</u>
Non Current Assets:	
Capital Assets:	
Other Capital Assets, Net of Depreciation	6,149,849
Total Non Current Assets	<u>6,149,849</u>
<i>Total Assets</i>	<u>6,856,376</u>
Liabilities	
Current:	
Accounts Payable	8,123
Intergovernmental Payable	10,665
Accrued Salaries, Wages and Benefits	4,905
<i>Total Current Liabilities</i>	<u>23,693</u>
Long Term Liabilities	
Due Within One Year	587
Due In More Than One Year	9,871
<i>Total Non Current Liabilities</i>	<u>10,458</u>
<i>Total Liabilities</i>	<u>34,151</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,149,849
Unrestricted	672,376
<i>Total Net Assets</i>	<u>\$ 6,822,225</u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended December 31, 2003

	Business-Type Activities Enterprise Fund Sewer Maintenance
Operating Revenues	
Charges for Services	\$ 767,758
Other	100,585
<i>Total Operating Revenues</i>	868,343
Operating Expenses	
Personal Services	351,617
Contractual Service	377,404
Depreciation	587,341
Capital Outlay	427
<i>Total Operating Expenses</i>	1,316,789
<i>Operating Income (Loss)</i>	(448,446)
Non Operating Revenues (Expenses)	
Interest Income	7,012
<i>Total Non-Operating Revenues (Expenses)</i>	7,012
<i>Change in Net Assets</i>	(441,434)
<i>Net Assets at Beginning of Year</i>	7,263,659
<i>Net Assets and the End of the Year</i>	\$ 6,822,225

See accompanying notes to the basic financial statements.

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

	Business-Type Activities Enterprise Fund Sewer Maintenance
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 838,512
Cash Paid for Goods and Services	(372,285)
Cash Paid to Employees	(337,594)
	128,633
Cash Flows From Non-Capital Financing Activities:	
Advances In	270,133
Advances Out	(100,000)
	170,133
Cash Flows From Investing Activities:	
Interest on Investments	7,012
	7,012
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(140,774)
	(140,774)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	
	165,004
<i>Cash and Cash Equivalents at Beginning of Year</i>	
	227,540
<i>Cash and Cash Equivalents at End of Year</i>	
	\$ 392,544
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ (448,446)
Adjustments:	
Depreciation Expense	587,341
(Increase) Decrease in Assets:	
Accounts Receivable	(29,831)
Increase (Decrease) in Liabilities:	
Accounts Payable	5,546
Accrued Salaries, Wages and Benefits	228
Compensated Absences	8,164
Intergovernmental Payable	5,631
	577,079
<i>Total Adjustments</i>	
	\$ 128,633
<i>Net Cash Provided By (Used For) Operating Activities</i>	

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets

Equity in Pooled Cash and Cash Equivalents \$ 1,175,706

Total Assets \$ 1,175,706

Liabilities

Accounts Payable \$ 90,689

Undistributed Monies 1,085,017

Total Liabilities \$ 1,175,706

See accompanying notes to the basic financial statements.

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City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 1 – Description of the City and Reporting Entity

The City of Broadview Heights (the City) is a municipal corporation incorporated under the laws of the State of Ohio. The City operates under a Mayor-Council form of government. The Mayor and Council are elected. The City provides police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services to the citizens of the City.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water, sewer and sanitation. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989, to its governmental and business type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City also has the option to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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 are 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, which are 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 business segment or governmental function 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. Fiduciary funds are reported by type.

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 - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Fire Levy Fund – The fire levy fund accounts for the operating expenses of a full time fire department, and is reserved exclusively for that purpose. The revenue is primarily from property taxes through charter millage.

General Bond Retirement – The general bond retirement fund is used to account for the accumulation of resources for the payment of interest and principal on long term general obligation debt.

OWDA Bond Retirement – The OWDA bond retirement fund is used to account for the accumulation of resources for the payment of interest and principal on long term general obligation debt associated with the construction of a sanitary sewer system in the City of Broadview Heights. The debt shall be fully retired in 2008.

Streets Capital Improvement – The streets capital improvement fund accounts for capital expenses associated with the reconstruction, maintenance, and repair of roads and infrastructure associated with City roads.

General Capital Improvements – The general capital improvement fund accounts for capital expenses associated with one time short term projects.

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 changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

Sewer Maintenance Fund – The sewer maintenance fund is an enterprise fund used to account for operations of the sanitary sewer system on a continuing basis and is financed through user charges.

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's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits held for contractors and developers.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

All governmental 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, tuition, grants, fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue on modified accrual only. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department level. The appropriation ordinance may be amended during the year by action of Council, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of council. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except the private-purpose trust fund and funds requiring that interest proceeds follow the invested principal are maintained in this pool. Individual fund integrity is maintained through the City's records.

During 2003, investments were limited to certificates of deposit, a money market investment, repurchase agreements, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, and STAROhio.

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

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$40,280, which includes \$17,829, assigned from other city funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of bridges, culverts, storm sewers, streets, traffic signals and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported 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 Engineer's interpretation of historical records of necessary improvements and replacement. All reported capital assets except land are required to be depreciated using a depreciation method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings	10 - 45 Years	10 - 45 Years
Machinery and Equipment	10 - 15 Years	10 - 15 Years
Vehicles	10 - 15 Years	10 - 15 Years
Infrastructure	10 - 50 Years	10 - 50 Years

The City's infrastructure consists of roads, water lines, storm sewers, traffic signals, street signs and guard rails, and sewer lines

Interfund Balances

On fund financial statements, long-term interfund loans are classified as "due to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

The entire compensated absence liability is reported on the government-wide financial statements.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

Accrued Liabilities and Long-Term Obligations

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

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

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. As a result, encumbrances, inventories, and loans receivable are recorded as a reservation of fund balance.

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 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.

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 water services, waste water treatment, and refuse collection. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in business-type activities. Interfund transfers are eliminated when reported in the entity wide financial statements for both the governmental and business-type activities. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed.

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.

Estimates

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

Note 3 – Change in Accounting Principles and Restatement of Prior Year Fund Equity

Changes in Accounting Principles For fiscal year 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. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, 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 an 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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management 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.

Restatement of Fund Balance The following describes the transition from governmental fund balance to net assets of the governmental activities.

	General Fund	Fire Department Levy	General Obligation Debt	OWDA Debt	Streets Capital Improvement	Sanitary Capital Improvement	Other Governmental	Governmental Activities
Fund Balances,								
December 31, 2002	\$ 2,495,852	\$ 49,084	\$ 372,469	\$ 1,499,621	\$ 1,318,364	\$ 630,050	\$ 1,528,248	\$ 7,893,688
GASB 34 Adjustments:								
Capital Assets								26,906,629
Compensated Absences								(735,846)
Pension Obligations								(291,991)
Long Term (Deferred) Assets								11,733,442
Long Term Liabilities								<u>(14,046,096)</u>
Governmental Activities Net Assets, December 31, 2002								<u>\$ 31,459,826</u>

The December 31, 2002 OWDA loan balance was overstated by \$186,258, therefore the long term liabilities has been restated as follows:

	Long Term Liabilities
Balance December 31, 2002	\$ 14,232,354
Less OWDA Loan Adjustment	<u>(186,258)</u>
Restated Long Term Liabilities, December 31, 2002	<u>\$ 14,046,096</u>

The City reviewed the capital assets in the sewer fund and made an adjustment which decreased the capital assets in the enterprise fund as follows:

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Sewer Fund
Net Assets December 31, 2002	\$ 13,562,767
Decrease in Capital Assets	(6,299,108)
Restated Net Assets, December 31, 2002	\$ 7,263,659

Note 4 – Fund Deficits

Fund balances/net assets at December 31, 2003 included the following individual fund deficits:

	Deficit
Fire Levy Fund	\$ 91,516
Nonmajor Governmental Funds:	
ODNR Grant Fund	11,000
EPA Sewer Fund	139,678
Circle Building Renovation	92,495
Edgerton Sanitary Sewer	10,893

The deficits in these nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 5 – Deposits and Investments

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current 5-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. 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 designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds with the City Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreements must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligation reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Cash on Hand At year end, the City had \$525 in undeposited cash on hand which is included on the balance sheet of the City as part of “Cash and Cash Equivalents”.

Deposits At year end, the carrying amount of the City’s deposits was \$472,372 and the bank balance was \$983,109. Of the bank balance:

1. \$131,072 of the bank balance was covered by depository insurance; and
2. \$852,037 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments During 2003, the City realized interest income in the OWDA accounts of \$22,736. The calculation of realized gains is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decreases in the fair value of investments during 2003 was \$141,131. This amount takes into account all changes in fair value, including purchases and sales, that occurred during the year.

The City’s investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or 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 and 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. STAROhio and Money Market Investment are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Carrying Value	Fair Value
Government Securities	\$ 0	\$ 1,318,615	\$ 1,318,615	\$ 1,318,615
Federal National Mortgage Association	499,500	0	499,500	499,500
Federal Home Loan Bank	1,006,086	0	1,006,086	1,006,086
Federal Home Loan Mortgage Corporation	1,101,240	0	1,101,240	1,101,240
Repurchase Agreements	10,351	0	10,351	10,351
	\$ 2,617,177	\$ 1,318,615		
Investment in State Treasurer's Investment Pool			3,155,865	3,155,865
			\$ 7,091,657	\$ 7,091,657

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. Reconciliation between the classification of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 7,564,554	\$ 0
Government Securities	(1,318,615)	1,318,615
Federal National Mortgage Association	(499,500)	499,500
Federal Home Loan Bank	(1,006,086)	1,006,086
Federal Home Loan Mortgage Corporation	(1,101,240)	1,101,240
Repurchase Agreements	(10,351)	10,351
State Treasurer's Pool	(3,155,865)	3,155,865
Petty Cash	(525)	0
	\$ 472,372	\$ 7,091,657
GASB Statement No. 3		

Note 6 – Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund and Major Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash (cash on hand) represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Fire Department Levy Fund.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Net Change in Fund Balance	
	General Fund	Fire Department Levy Fund
GAAP Basis (as reported)	\$ (303,043)	\$ (140,600)
Adjustments:		
Revenue accruals	(75,834)	0
Expenditure accruals	13,709	58,353
Encumbrances	(103,738)	(4,185)
Budget basis	\$ (468,906)	\$ (86,432)

Note 7 – Transfers and Interfund Balances

Transfers are used to move resources 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.

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

Transfer Out	Transfer In		
	Fire Levy Fund	General Bond Retirement	Total
General	\$ 28,513	\$ 0	\$ 28,513
Streets Capital Improvement	0	129,462	129,462
General Capital Improvements		71,924	71,924
Total	\$ 28,513	\$ 201,386	\$ 229,899

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of December 31, 2003, all interfund payables outstanding are anticipated to be repaid in 2004.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

<u>Interfund Receivable</u>	<u>Interfund Payable</u>			<u>Total</u>
	<u>Fire Levy Fund</u>	<u>General Capital Improvement</u>	<u>Other Governmental</u>	
General	\$ 0	\$ 0	\$ 139,678	\$ 139,678
Streets Capital Improvement	0	0	11,000	11,000
Other Governmental	50,000	0	112,000	162,000
Sewer Maintenance	0	100,000	0	100,000
Total	<u>\$ 50,000</u>	<u>\$ 100,000</u>	<u>\$ 262,678</u>	<u>\$ 412,678</u>

Note 8 – Receivables

Receivables at December 31, 2003, consisted of taxes, special assessments, accounts (billings for user charged services), loans and intergovernmental receivables. All of these receivables are considered fully collectible.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operation for the year ended December 31, 2003 was \$9.40 per \$1,000 of assessed value. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.41 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$7.00 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

and rollback reductions is reimbursed to the City by the State of Ohio. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$ 447,354,510	93.64%
Public Utility Tangible Property	9,494,240	1.99%
Tangible Personal Property	<u>20,866,992</u>	<u>4.37%</u>
 Total	 <u>\$ 477,715,742</u>	 <u>100.00%</u>

Real property taxes are payable annually or semiannually. If paid annually, the payment is due by December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30 with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2003. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2003 operations. The receivable is offset by deferred revenue.

Income Taxes

The City levies a municipal income tax of 2% on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City. In the latter case, the City allows a credit of 75% of the tax paid to another municipality to a maximum of the total amount assessed. The Regional Income Tax Agency (RITA) is the City's agent for administering income tax collecting and accounting.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 70.2% to the General Fund, 23% to the Streets Capital Improvement Fund and and 6.8% to other governmental funds.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Local Government	\$ 73,735
Charges for Services	103,756
Gasoline and Excise Tax	165,423
Estate Tax	104,166
Homestead/Rollback	<u>351,318</u>
Total	<u>\$ 798,398</u>

Taxes Receivables

A summary of taxes receivables follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate Tax	\$ 3,201,239
Municipal Income Tax	2,004,751
Hotel/Motel Tax	<u>354</u>
Total	<u>\$ 5,206,344</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 9 – Capital Assets

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

	Balance 12/31/2002 (Restated)	Additions	Reductions	Balance 12/31/2003
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,165,450	\$ 0	\$ 0	\$ 1,165,450
Construction in Progress	3,121,200	1,927,371	(3,096,932)	1,951,639
Total Capital Assets, not being depreciated	4,286,650	1,927,371	(3,096,932)	3,117,089
<i>Capital Assets, being depreciated:</i>				
Buildings	4,527,860	1,730,209	0	6,258,069
Improvements	617,218	349,553	0	966,771
Furniture & Fixtures	34,642	0	0	34,642
Machinery & Equipment	1,025,496	212,640	0	1,238,136
Vehicles	2,868,057	286,306	(224,448)	2,929,915
Infrastructure				
Traffic Signals	202,788	109,550	0	312,338
Roads	11,852,768	4,959,551	0	16,812,319
Waterlines	10,370,318	110,565	0	10,480,883
Street Signs & Guard Rails	26,520	0	0	26,520
Storm Sewers	9,717,955	224,310	0	9,942,265
Total Capital Assets, being depreciated	41,243,622	7,982,684	(224,448)	49,001,858
<i>Less Accumulated Depreciation:</i>				
Buildings	(903,685)	(126,161)	0	(1,029,846)
Improvements	(118,371)	(34,638)	0	(153,009)
Furniture & Fixtures	(11,777)	(2,566)	0	(14,343)
Machinery & Equipment	(536,361)	(94,714)	0	(631,075)
Vehicles	(1,707,471)	(290,846)	187,689	(1,810,628)
Infrastructure				
Traffic Signals	(184,396)	(15,411)	0	(199,807)
Roads	(7,673,281)	(575,293)	0	(8,248,574)
Waterlines	(3,900,538)	(175,395)	0	(4,075,933)
Street Signs & Guard Rails	(24,052)	(532)	0	(24,584)
Storm Sewers	(3,563,711)	(327,385)	0	(3,891,096)
Total Accumulated Depreciation	(18,623,643)	(1,642,941)	187,689	(20,078,895)
Total Capital Assets being depreciated, net	22,619,979	6,339,743	(36,759)	28,922,963
Governmental Activities Capital Assets, Net	\$ 26,906,629	\$ 8,267,114	\$ (3,133,691)	\$ 32,040,052

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance 12/31/2002 (Restated)	Additions	Reductions	Balance 12/31/2003
Business-Type Activities				
<i>Capital Assets, being depreciated:</i>				
Buildings	\$ 1,136,841	\$ 0	\$ 0	1,136,841
Machinery & Equipment	523,576	0	0	523,576
Vehicles	212,604	0	0	212,604
Infrastructure				
Sanitary Sewers	<u>13,232,868</u>	<u>140,774</u>	<u>0</u>	<u>13,373,642</u>
Total Capital Assets, being depreciated	15,105,889	140,774	0	15,246,663
Less Accumulated Depreciation:				
Buildings	(491,336)	(28,421)	0	(519,757)
Machinery & Equipment	(435,659)	(12,865)	0	(448,524)
Vehicles	(212,604)	0	0	(212,604)
Infrastructure				
Sanitary Sewers	<u>(7,369,874)</u>	<u>(546,055)</u>	<u>0</u>	<u>(7,915,929)</u>
Total Accumulated Depreciation	<u>(8,509,473)</u>	<u>(587,341)</u>	<u>0</u>	<u>(9,096,814)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,596,416</u>	<u>\$ (446,567)</u>	<u>\$ 0</u>	<u>\$ 6,149,849</u>

Depreciation was charged as follows:

Governmental Funds:

General government	\$ 607,470
Security of persons and property	243,718
Community development	172,902
Leisure time activities	27,615
Transportation	591,236
	<u>\$ 1,642,941</u>

Proprietary Funds:

General government	<u>\$ 587,341</u>
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City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 10 – Defined Benefit Pension Plans

Ohio Public Employee Retirement System

All City full-time employees, other than Police and Firemen, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension 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 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.

Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a standalone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations and the City is required to contribute 13.55% for the year 2002. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS were \$530,338 for December 31, 2003 and \$530,337 and \$481,897 for years ended December 31, 2002 and 2001 respectively.

Ohio Police and Firemen's Disability and Pension Fund

The City contributes to the Ohio Police and Firemen's Disability and Pension Fund (OP&F), a cost sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. The PFDPF 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 by 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 Firemen's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and for 2003 the City was required to contribute 19.5% for police and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the PFDPF for police and firefighters were \$352,973 and \$250,801 for the year ending December 31, 2003, \$331,106 and \$232,075 for the year ended December 31, 2002, \$303,204 and \$219,783 for the year ended December 31, 2001.

Note 11 – Postemployment Benefits

Ohio Public Employees Retirement System

In addition to providing pension benefits through Ohio Public Employee Retirement System ("System"), the System provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio Service Credit. Health care coverage for disability recipients and primary

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

service recipients is also available. The Ohio revised code provides statutory authority for employee and employer contributions to the System. For 2003, member and employer contribution rates for all three plans for local government employer units was 13.55% of covered payroll; 5% was the portion that was used to fund health care for the year, which amounted to \$193,274. The public safety employer rate was 16.70% and 5% was used to fund health care for the year, which amounted to \$1,964.

The Other Post-Employment Benefit (OPEB) is a standardized disclosure measure of the present value of OPEB adjusted for the effects of payroll increases and health care premium increases. The measure, which is an actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due. The System does not make separate measurements of assets and OPEB for individual employers.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$18.7 billion and \$8.7 billion, respectively. As of December 31, 2002, the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.0 billion. The number of statewide benefit recipients eligible for OPEB at December 31, 2003 was 364,881.

Ohio Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund'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 is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the post-employment health care program during 2003. In addition, since July 1, 1992, most retirees and survivors were 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 Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.

The City's actual contributions for 2003 that were used to fund post-employment benefits were \$140,130 for police and \$81,009 for fire. The OP&F's total health care expense for the year ended December 31, 2002 was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 12 – Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated contracts, City ordinances and State laws. Employees earn one to five weeks of vacation per year, depending upon length of service. Annual vacation eligibility may be carried from anniversary to anniversary.

Employees may bank up to annual eligibility plus earned vacation time toward retirement, payable at retirement or termination. Approval of any cash payment is within the sole discretion of the City of Broadview Heights.

Employees earn sick leave at the rate of 10 hours per month of service (fire department earns 13 hours of sick leave per month of service). Sick leave accumulation is unlimited. Upon retirement or death, employees can be paid the following:

Department	Maximum
Service Department	1/3 of 140 days (373 hours)
Corrections	1/4 of 120 days (240 hours)
Dispatch:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/4 of 120 days (240 hours)
Patrol:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/4 of 120 days (240 hours)
Sergeant:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/4 of 120 days (240 hours)
Fire Department	
Level 1 and 2 hired prior to 1/1/96	1/3 of 160 days (427 hours)
Level 1 and 2 hired after 1/1/96	1/3 of 120 days (320 hours)
Level 3 & 4	1/3 of 120 days (320 hours)

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 13 – Long Term Obligations

General Obligation Bonds

Outstanding general obligation bonds consist of utility system and government building construction issues. General obligation bonds have been issued for governmental activities. During the year, the City issued 10 and 20 year general obligation bonds for the sewer and building renovations.

General obligation bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City.

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
1977 Sidewalk Improvement	1983	5.25%	\$ 10,584
1988 Street Improvement	2008	7.38%	215,519
1989 Street Improvement	2009	7.00% - 7.14%	136,663
1991 Street Improvement	2009	6.77%	180,785
1999 Various Improvement	2019	4.50% to 5.65%	2,850,120
2000 Various Improvement	2013	4.60%	1,550,000
2003 Various Improvement	2013	4.20%	1,260,000
2003 Various Improvement	2023	4.58%	96,000
Total			<u>\$ 6,299,671</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2004	\$ 358,455	\$ 259,948	\$ 618,403
2005	369,145	242,920	612,065
2006	388,345	225,524	613,869
2007	402,693	209,156	611,849
2008	421,896	192,329	614,225
2009-2013	2,296,088	671,758	2,967,846
2014-2018	979,335	238,709	1,218,044
2019-2023	253,422	17,411	270,833
Total	<u>\$ 5,469,379</u>	<u>\$ 2,057,755</u>	<u>\$ 7,527,134</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Special Assessment Bonds

Outstanding special assessment bonds consist of street and utility improvements which are payable from the proceeds of tax assessments against individual property owners.

Special Assessment bonds currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
1985 Street Improvement	2005	9.25%	\$ 827,500
1988 Street Improvement	2008	7.38%	986,481
1989 Various Purpose	2009	7.00% to 7.14%	1,583,337
1990 Street Improvement	2010	7.845%	150,000
1991 Street Improvement	2009	6.77%	846,922
1994 Sewer Improvement	2014	5.50%	112,000
1995 Sewer Improvement	2015	6.38%	37,735
1999 Various Purpose	2019	4.5% to 5.65%	629,880
2001 Sewer Improvement	2021	6.10%	211,000
2003 Sewer Improvement	2023	4.20% to 4.58%	1,304,000
Total			<u>\$ 6,688,855</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31,	Special Assessment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2004	\$ 328,380	\$ 210,288	\$ 538,668
2005	330,579	187,167	517,746
2006	296,801	164,996	461,797
2007	312,893	146,991	459,884
2008	329,100	128,000	457,100
2009-2013	959,318	399,290	1,358,608
2014-2018	628,054	214,981	843,035
2019	516,452	67,095	583,547
Total	<u>\$ 3,701,577</u>	<u>\$ 1,518,808</u>	<u>\$ 5,220,385</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

OWDA Loans

The City entered into various loan agreements with the Ohio Water Development Authority for the purpose of improving and expanding the water operations. These loans are payable from the proceeds of tax assessments against individual property owners.

OWDA loans currently outstanding are as follows:

Purpose	Maturity Date	Interest Rate	Original Amount
Governmental Activities			
1985 Sanitary Sewer Project	2008	9.78%	\$ 5,200,000
1994 Sanitary Sewer Project	2015	4.18% - 4.35%	1,939,258
1996 Sanitary Sewer Project	2017	4.04%	143,711
1997 Sanitary Sewer Project	2019	4.12%	607,188
1999 Sanitary Sewer Project	2021	4.02%	719,567
			<u>\$ 8,609,724</u>

Annual debt service requirements to maturity for OWDA loans are as follows:

Year Ending December 31,	OWDA Loans		
	Governmental Activities		Total
	Principal	Interest	
2004	\$ 579,342	\$ 360,903	\$ 940,245
2005	628,123	312,122	940,245
2006	681,348	258,900	940,248
2007	739,438	200,812	940,250
2008	802,767	137,477	940,244
2009-2013	936,078	265,934	1,202,012
2014-2018	663,635	81,621	745,256
2019	99,435	3,118	102,553
Total	<u>\$ 5,130,166</u>	<u>\$ 1,620,887</u>	<u>\$ 6,751,053</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Changes in Long Term Liabilities

Long term liability activity for the year ended December 31, 2003 was as follows:

	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
<i>Governmental Activities:</i>					
Notes payable					
Interest rate is 5.0%, due 11/29/03	\$ 251,650	\$ 0	\$ (251,650)	\$ 0	\$ 0
Interest rate is 5.0%, due 11/29/03	455,500	0	(455,500)	0	0
Interest rate is 1.5%, due 10/10/03	0	1,224,000	(1,224,000)	0	0
Interest rate is 5.0%, due 8/5/03	729,280	0	(729,280)	0	0
Interest rate is 1.40%, due 12/16/04	0	718,000	0	718,000	718,000
	<u>1,436,430</u>	<u>1,942,000</u>	<u>(2,660,430)</u>	<u>718,000</u>	<u>718,000</u>
 <i>General Obligation Bonds</i>					
Street Improvement (1988)					
7.375% through 2008	64,548	0	(10,758)	53,790	10,758
Sewer Improvement (1989)					
7.140% through 2009	51,646	0	(4,743)	46,903	5,797
Street Improvement (1989)					
7.000% through 2009	16,662	0	(2,382)	14,280	2,380
Street Improvement (1991)					
6.772 % through 2009	11,286	0	(941)	10,345	1,045
Sidewalk Improvements (1977)					
5.250%	2,500	0	0	2,500	2,500
Broadview Center Improvement					
4.961% through 2013	1,540,000	0	(40,000)	1,500,000	115,000
Various Purpose (1999)					
4.50% - 5.65% through 2019	2,583,837	0	(98,276)	2,485,561	102,375
Service Building					
4.20% through 2023	0	1,260,000	0	1,260,000	115,000
Street Improvements (2003)					
4.58% through 2023	0	96,000	0	96,000	3,600
	<u>4,270,479</u>	<u>1,356,000</u>	<u>(157,100)</u>	<u>5,469,379</u>	<u>358,455</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
<i>Special Assessment Bonds With City Commitment</i>					
Street Improvement (1985) 9.250% through 2005	135,000	0	(45,000)	90,000	45,000
Street Improvement (1988) 7.375% through 2008	295,454	0	(49,244)	246,210	49,242
Sewer Improvement (1989) 7.140% through 2009	438,354	0	(40,257)	398,097	49,203
Street Improvement (1989) 7.000% through 2009	298,335	0	(42,617)	255,718	42,620
Street Improvement (1990) 7.850% through 2009	90,000	0	(10,000)	80,000	10,000
Street Improvement (1991) 6.772 % through 2009	528,715	0	(44,058)	484,657	48,955
Sewer Improvement (1994) 5.500% through 2014	72,000	0	(6,000)	66,000	6,000
Sewer Improvement (1995) 6.383% through 2015	30,000	0	(2,000)	28,000	2,000
Various Purpose (1999) 4.50% - 5.65% through 2019	571,163	0	(21,724)	549,439	22,625
Sewer Improvement (2001) 6.1% through 2021	205,422	0	(5,966)	199,456	6,335
Street Improvement (2003) 4.20% through 2013	0	800,000	0	800,000	30,000
Street Improvement (2003) 4.20% through 2023	0	504,000	0	504,000	16,400
	<u>2,664,443</u>	<u>1,304,000</u>	<u>(266,866)</u>	<u>3,701,577</u>	<u>328,380</u>
<i>OWDA Loans</i>					
Interest rates vary from 4.04% to 9.78%, due through 2021	5,674,744	0	(544,578)	5,130,166	579,342
Compensated Absences	<u>735,846</u>	<u>360,336</u>	<u>(208,797)</u>	<u>887,385</u>	<u>49,044</u>
Total Governmental Activities	<u>\$ 14,781,942</u>	<u>\$ 4,962,336</u>	<u>\$ (3,837,771)</u>	<u>\$ 15,906,507</u>	<u>\$ 2,033,221</u>
<i>Business-Type Activities</i>					
Compensated Absences	<u>\$ 25,734</u>	<u>\$ 2,206</u>	<u>\$ (17,482)</u>	<u>\$ 10,458</u>	<u>\$ 587</u>
Total Business-Type Activities	<u>\$ 25,734</u>	<u>\$ 2,206</u>	<u>\$ (17,482)</u>	<u>\$ 10,458</u>	<u>\$ 587</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 14 – Contractual Commitments

As of December 31, 2003, the City had contractual commitments for the following projects:

Vendor	Project	Contractual Commitment	Expended	Balance 12/31/03
Kenmore Construction	* Route 82 Improvements	\$ 4,104,683	\$ 3,769,726	\$ 334,957
Maintenance Unlimited	E. Boston Waterline	196,650	177,393	19,257
R. E. Warner	* Service Facility	194,338	168,622	25,716
Dunlop & Johnston	* Service Facility	1,041,923	949,653	92,270
General Steel	* Service Facility	123,068	116,281	6,787
Specialized Construction	* Service Facility	304,616	283,113	21,503
Miller Plumbing	* Service Facility	70,444	58,837	11,607
Quality Control Inspection	Old Royalton Road	30,000	3,868	26,132
Fabrizi Trucking & Paving	Old Royalton Road	519,888	322,339	197,549
		<u>\$ 6,585,610</u>	<u>\$ 5,849,832</u>	<u>\$ 735,778</u>

* Projects are complete, but commitments are still outstanding.

Note 15 – Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees and natural disasters. The City contracts with the Westfield Insurance Company for commercial property coverage, which has a \$19,720,000 limit and a \$500 deductible. The City also contracts with the Westfield Insurance Co. for boiler and machinery coverage, which has a \$50,000 per incident limit and a \$1,000 deductible. In addition, the City carries an equipment floater policy with a \$637,637 limit and a \$500 deductible.

The City bonds the Mayor for his term, along with several specific employees (i.e. Finance Director, Clerk of Courts, etc) where required by Ohio Revised Code.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been significant reduction in coverage from the prior year.

Medical

The City provides health and dental benefits to full time city employees. Coverage is provided by a commercial insurance carrier and the City is not exposed to any risks related to health claims.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 16 – Contingencies

The City of Broadview Heights, Ohio, is a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position, and would be covered by liability insurance maintained by the City.

Note 17 – Jointly Governed Organization

The Southwest Council of Governments (the Council) helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each City's degree of control is limited to its representation on the board. In 2002, the City contributed \$7,500 for the Southwest Council of Governments annual dues. The City did not contribute additional funds for the Southwest Emergency Response Team annual dues.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("Haz Mat") which provides hazardous material protection and assistance and the Southwest Enforcement Bureau which provides extra assistance to cities in the form of a Special Weapons and Tactics Team ("SWAT Team"). The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Broadview Heights, Ohio.

Note 18 – Other

In 1996, the City of Broadview Heights purchased their current office building from the State of Ohio for \$750,000 with the understanding that the City would pay for the eventual environmental abatement and demolition of the abandoned portion of the building, estimated at approximately \$750,000 and \$1,500,000 respectively. The agreement with the State did not stipulate a required time period in which either the abatement or demolition must be completed assuming that it did not subsequently become an environmental hazard. Currently any environmental hazards related to the abandoned portion of the building are considered contained in that area.

On Sept. 8, 2003 the City entered into a contract with the Department of Development of the State of Ohio for Brownfield Cleanup Revolving Loan Funds. The City was awarded \$750,000, 90% of which is to be repaid upon completion of the project at 0% interest over a period of 10 years and 10% was awarded as a grant. Although there are no plans at this time for demolition, the abatement is currently in process.

At December 31, 2003, no activity had taken place, however, as of October 21, 2004, the project has been completed and \$637,000 is in the process of being drawn down from the revolving loan.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 20, 2004

The Honorable Mayor and
To the City Council
City of Broadview Heights, Ohio

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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 Broadview Heights, Ohio, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 20, 2004. 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 Broadview Height's basic 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. However, we noted an immaterial instance of noncompliance that we have reported to management of the City of Broadview Heights, Ohio, in a separate letter dated October 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Broadview Height's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Broadview Heights, Ohio, in a separate letter dated October 20, 2004.

This report is intended solely for the information and use of the City Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 20, 2004

The Honorable Mayor and
To the City Council
City of Broadview Heights, Ohio

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Broadview Heights, Ohio 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 Broadview Heights' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 Broadview Heights' management. Our responsibility is to express an opinion on the City of Broadview Heights' 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 Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Broadview Heights' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Broadview Heights' compliance with those requirements.

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

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the basic financial statements of the City of Broadview Heights as of and for the year ended December 31, 2003, and have issued our report thereon dated October 20, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 of the City Council, management, 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.

Rea & Associates, Inc.

**CITY OF BROADVIEW HEIGHTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 , Section .505
 DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Highway Planning and Construction CFDA # 20.205
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

**CITY OF BROADVIEW HEIGHTS
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. Department of Transportation (Passed Through Ohio Department of Transportation):				
Highway Planning and Construction (A)	20.205	CUY-SR82-9.83	\$ 1,466,747	\$ 1,466,747
Total U.S. Department of Transportation			<u>1,466,747</u>	<u>1,466,747</u>
Federal Emergency Management Agency				
Public Assistance Program	97.036	FEMA-3187-EM-OH	12,823	12,823
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,479,570</u>	<u>\$ 1,479,570</u>

(A) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

CITY OF BROADVIEW HEIGHTS
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-01	The City was not correctly encumbering purchase commitments.	Yes	Fully Corrected – The City is properly encumbering purchase commitments
2002-02	The City did not correctly recognize revenue and expense related to a Federal/State grant, where the funds were paid directly to the contractor.	Yes	Fully Corrected – The City is properly recognizing the revenue and expenses as they are incurred and paid to the contractor.



**Auditor of State
Betty Montgomery**

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800-282-0370

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**CITY OF BROADVIEW 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
JANUARY 11, 2005**