

CITY OF BROADVIEW HEIGHTS, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2002



**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, 2002 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 5, 2003

This Page is Intentionally Left Blank.

CITY OF BROADVIEW HEIGHTS, OHIO
FOR THE YEAR ENDED DECEMBER 31, 2002

TABLE OF CONTENTS

	PAGE
Independent Auditor’s Report.....	1
Financial Statements:	
Combined Balance Sheet - All Fund Types And Account Groups.....	2-5
Combined Statement Of Revenues, Expenditures, And Changes In Fund Balances - All Governmental Fund Types and Expendable Trust Funds.....	6-7
Combined Statement Of Revenues, Expenditures, And Changes In Fund Balances - Budget And Actual - All Governmental Fund Types.....	8-11
Combined Statement Of Revenues, Expenses, And Changes In Retained Earnings – All Proprietary Fund Types.....	12
Statement of Cash Flows – Proprietary Fund Types.....	13
Notes to the General Purpose Financial Statements.....	14-34
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	35
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	36-37
Schedule of Findings and Questioned Costs OMB Circular A-133.....	38-39
Schedule of Federal Financial Assistance – CASH BASIS	40

This Page is Intentionally Left Blank.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

July 2, 2003

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the City of Broadview Heights, Ohio, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Broadview Heights, Ohio, management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Broadview Heights, Ohio, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 July 2, 2003, 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.

Rea & Associates, Inc.

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Current Assets:				
Equity in Pooled Cash and Investments	\$ 1,756,132	\$ 729,165	\$ 1,822,090	\$ 3,201,325
Receivables:				
Accounts and Other	20,312	33,943	0	0
Interfund	197,347	585	0	228,988
Taxes	2,707,073	1,812,328	44,190	565,429
Intergovernmental	209,610	288,489	5,727	128,041
Assessments	0	0	10,265,628	0
Total Current Assets	4,890,474	2,864,510	12,137,635	4,123,783
Fixed Assets:				
Land	0	0	0	0
Buildings	0	0	0	0
Machinery and Equipment	0	0	0	0
Vehicles	0	0	0	0
Construction in Progress	0	0	0	0
Accumulated Depreciation	0	0	0	0
Total Fixed Assets	0	0	0	0
Other Debits:				
Amount Available In Debt Service Funds	0	0	0	0
Amount to be Provided for Retirement of				
General Long Term Obligations	0	0	0	0
Amount to be Provided for Benefits	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	\$ 4,890,474	\$ 2,864,510	\$ 12,137,635	\$ 4,123,783

Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
		Enterprise	Trust and Agency	General Fixed Assets	
\$ 227,540	\$ 905,184	\$ 0	\$ 0	\$ 8,641,436	
184,152	0	0	0	238,407	
270,133	0	0	0	697,053	
0	0	0	0	5,129,020	
0	0	0	0	631,867	
0	0	0	0	10,265,628	
681,825	905,184	0	0	25,603,411	
0	0	1,165,450	0	1,165,450	
18,856,465	0	6,808,182	0	25,664,647	
491,359	0	4,916,278	0	5,407,637	
187,478	0	0	0	187,478	
0	0	3,121,200	0	3,121,200	
(6,639,778)	0	0	0	(6,639,778)	
12,895,524	0	16,011,110	0	28,906,634	
0	0	0	1,822,090	1,822,090	
0	0	0	12,410,264	12,410,264	
0	0	0	1,027,837	1,027,837	
0	0	0	15,260,191	15,260,191	
\$ 13,577,349	\$ 905,184	\$ 16,011,110	\$ 15,260,191	\$ 69,770,236	

(continued)

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	\$ 115,728	\$ 25,513	\$ 0	\$ 46,629
Contracts Payable	0	0	0	334,406
Intergovernmental Payable	94,160	27,280	0	0
Interfund Payable	0	0	0	675,580
Accrued Salaries, Wages and Benefits	127,446	53,574	0	0
Compensated Absences Payable	35,380	12,562	0	0
Undistributed Monies	0	0	0	0
Deferred Revenue	2,021,908	2,022,777	10,315,545	216,532
General Obligation Bonds Payable	0	0	0	0
Special Assessment Bonds Payable	0	0	0	0
Notes Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
Total Liabilities	2,394,622	2,141,706	10,315,545	1,273,147
Fund Equity:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	32,752	69,381	0	105,985
Reserved for Debt Services:				
Principal	0	0	1,822,090	0
Unreserved:				
Undesignated	2,463,100	653,423	0	2,744,651
Total Fund Equity	2,495,852	722,804	1,822,090	2,850,636
Total Liabilities and Fund Equity	\$ 4,890,474	\$ 2,864,510	\$ 12,137,635	\$ 4,123,783

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
		Enterprise	Trust and Agency	General Fixed Assets	
\$ 2,577	\$ 2,356	\$ 0	\$ 0	\$ 192,803	
0	0	0	0	334,406	
5,034	0	0	291,991	418,465	
0	21,473	0	0	697,053	
4,677	0	0	0	185,697	
2,294	0	0	735,846	786,082	
0	879,049	0	0	879,049	
0	0	0	0	14,576,762	
0	0	0	4,270,479	4,270,479	
0	0	0	2,664,443	2,664,443	
0	0	0	1,436,430	1,436,430	
0	0	0	5,861,002	5,861,002	
14,582	902,878	0	15,260,191	32,302,671	
0	0	16,011,110	0	16,011,110	
8,410,390	0	0	0	8,410,390	
5,152,377	0	0	0	5,152,377	
0	0	0	0	208,118	
0	0	0	0	1,822,090	
0	2,306	0	0	5,863,480	
13,562,767	2,306	16,011,110	0	37,467,565	
\$ 13,577,349	\$ 905,184	\$ 16,011,110	\$ 15,260,191	\$ 69,770,236	

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Local Taxes	\$ 6,556,426	\$ 2,015,761	\$ 41,343	\$ 2,078,895
Fees, License and Permits	1,616,210	1,117,717	0	0
Intergovernmental	515,954	299,824	5,245	1,431,953
Special Assessment	11,195	0	1,123,883	0
Charges for Services	510,481	34,767	0	143,819
Rental Income	43,077	0	0	0
Interest Income	53,305	6,520	107,930	38,390
Other	1,487	47,333	1,842	11,140
Total Revenues	9,308,135	3,521,922	1,280,243	3,704,197
Expenditures:				
Current:				
General Government	3,798,737	137,300	0	5,724
Security	3,201,405	2,081,151	0	121,416
Public Health	47,103	0	0	6,207
Community Environment	518,100	0	0	0
Transportation	592,354	594,330	0	0
Basic Utility	392,186	0	0	0
Leisure Time	310,562	608,488	0	0
Capital Outlay	111,119	20,986	0	3,776,682
Debt Service:				
Principal	0	0	959,719	0
Interest	0	0	904,023	0
Total Expenditures	8,971,566	3,442,255	1,863,742	3,910,029
Excess of Revenues Over (Under) Expenditures	336,569	79,667	(583,499)	(205,832)
Other Financing Sources (Uses):				
Proceeds of Notes	0	0	0	1,436,430
Gain/Loss on Sale of Assets	61	0	0	0
Operating Transfers In	0	21,875	320,641	129,863
Operating Transfers Out	(70,281)	(107,000)	0	(1,172,218)
Total Other Financing Sources (Uses)	(70,220)	(85,125)	320,641	394,075
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	266,349	(5,458)	(262,858)	188,243
Fund Balances (Deficit) at Beginning Of Year	2,229,503	728,262	2,084,948	2,662,393
Fund Balances (Deficit) at End of Year	\$ 2,495,852	\$ 722,804	\$ 1,822,090	\$ 2,850,636

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type			
Expendable Trust		Totals (Memorandum Only)	
\$	0	\$	10,692,425
	0		2,733,927
	0		2,252,976
	0		1,135,078
	0		689,067
	0		43,077
	0		206,145
	4,840		66,642
	4,840		17,819,337
	0		3,941,761
	0		5,403,972
	0		53,310
	0		518,100
	0		1,186,684
	0		392,186
	0		919,050
	19,724		3,928,511
	0		959,719
	0		904,023
	19,724		18,207,316
	(14,884)		(387,979)
	0		1,436,430
	0		61
	0		472,379
	0		(1,349,499)
	0		559,371
	(14,884)		171,392
	17,190		7,722,296
\$	2,306	\$	7,893,688

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*
All Governmental Fund Types

For the Year Ended December 31, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local Taxes	\$ 6,597,614	\$ 6,566,751	\$ (30,863)
Fees, License and Permits	1,622,710	1,615,119	(7,591)
Intergovernment	483,858	481,595	(2,263)
Special Assessment	11,248	11,195	(53)
Charges for Services	499,081	496,746	(2,335)
Rental Income	43,279	43,077	(202)
Investment Income	53,556	53,305	(251)
Other	346	346	0
Total Revenues	<u>9,311,692</u>	<u>9,268,134</u>	<u>(43,558)</u>
Expenditures:			
Current:			
General Government	3,768,782	3,767,468	1,314
Security	3,263,128	3,263,127	1
Public Health	47,103	47,103	0
Community Development	521,826	521,826	0
Transportation	595,321	595,321	0
Basic Utility	390,712	390,712	0
Leisure Time	319,418	319,418	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest	0	0	0
Total Expenditures	<u>8,906,290</u>	<u>8,904,975</u>	<u>1,315</u>
Excess of Revenue Over (Under) Expenditures	<u>405,402</u>	<u>363,159</u>	<u>(42,243)</u>
Other Financing Sources (Uses):			
Proceeds of Notes	0	0	0
Gain/Loss on Sale of Assets	61	61	0
Advances In	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(70,281)	(70,281)	0
Other Financing Sources (Uses)	<u>(70,220)</u>	<u>(70,220)</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>335,182</u>	<u>292,939</u>	<u>(42,243)</u>
Fund Balances at Beginning of Year	1,331,350	1,331,350	0
Prior Year's Encumbrances Appropriated	55,298	55,298	0
Fund Balances at End of Year	<u>\$ 1,721,830</u>	<u>\$ 1,679,587</u>	<u>\$ (42,243)</u>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds				Debt Service Fund			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 2,117,965	\$ 2,117,965	\$ 0		\$ 43,982	\$ 43,982	\$ 0	
1,130,572	1,130,572	0		0	0	0	
200,134	200,134	0		2,606	2,606	0	
0	0	0		1,123,883	1,123,883	0	
13,310	13,310	0		0	0	0	
0	0	0		0	0	0	
6,520	6,520	0		159,315	159,315	0	
47,333	47,333	0		1,842	1,842	0	
<u>3,515,834</u>	<u>3,515,834</u>	<u>0</u>		<u>1,331,628</u>	<u>1,331,628</u>	<u>0</u>	
197,484	197,484	0		0	0	0	
2,082,203	2,082,203	0		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
613,313	613,313	0		0	0	0	
0	0	0		0	0	0	
630,601	630,555	46		0	0	0	
4,825	4,825	0		0	0	0	
0	0	0		959,719	959,719	0	
0	0	0		904,023	904,023	0	
<u>3,528,426</u>	<u>3,528,380</u>	<u>46</u>		<u>1,863,742</u>	<u>1,863,742</u>	<u>0</u>	
<u>(12,592)</u>	<u>(12,546)</u>	<u>46</u>		<u>(532,114)</u>	<u>(532,114)</u>	<u>0</u>	
0	0	0		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
21,875	21,875	0		320,641	320,641	0	
<u>(107,000)</u>	<u>(107,000)</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	
<u>(85,125)</u>	<u>(85,125)</u>	<u>0</u>		<u>320,641</u>	<u>320,641</u>	<u>0</u>	
<u>(97,717)</u>	<u>(97,671)</u>	<u>46</u>		<u>(211,473)</u>	<u>(211,473)</u>	<u>0</u>	
653,602	653,602	0		1,181,887	1,181,887	0	
69,313	69,313	0		0	0	0	
<u>\$ 625,198</u>	<u>\$ 625,244</u>	<u>\$ 46</u>		<u>\$ 970,414</u>	<u>\$ 970,414</u>	<u>\$ 0</u>	

(continued)

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*
All Governmental Fund Types

For the Year Ended December 31, 2002

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local Taxes	\$ 2,053,623	\$ 2,053,623	\$ 0
Fees, License and Permits	0	0	0
Intergovernment	3,620	1,562,885	1,559,265
Special Assessment	0	0	0
Charges for Services	143,689	143,689	0
Rental Income	0	0	0
Investment Income	38,390	38,390	0
Other	11,140	11,140	0
Total Revenues	2,250,462	3,809,727	1,559,265
Expenditures:			
Current:			
General Government	5,961	5,961	0
Security	201,520	201,520	0
Public Health	6,207	6,207	0
Community Development	0	0	0
Transportation	0	0	0
Basic Utility	0	0	0
Leisure Time	0	0	0
Capital Outlay	2,962,541	4,521,806	(1,559,265)
Debt Service			
Principal Retirement	0	0	0
Interest	0	0	0
Total Expenditures	3,176,229	4,735,494	(1,559,265)
Excess of Revenue Over (Under) Expenditures	(925,767)	(925,767)	0
Other Financing Sources (Uses):			
Proceeds of Notes	1,436,430	1,436,430	0
Gain/Loss on Sale of Assets	0	0	0
Advances In	270,133	270,133	0
Operating Transfers In	140,863	140,863	0
Operating Transfers Out	(556,098)	(556,098)	0
Other Financing Sources (Uses)	1,291,328	1,291,328	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	365,561	365,561	0
Fund Balances at Beginning of Year	2,448,720	2,448,720	0
Prior Year's Encumbrances Appropriated	237,990	237,990	0
Fund Balances at End of Year	\$ 3,052,271	\$ 3,052,271	\$ 0

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 10,813,184	\$ 10,782,321	\$ (30,863)
2,753,282	2,745,691	(7,591)
690,218	2,247,220	1,557,002
1,135,131	1,135,078	(53)
656,080	653,745	(2,335)
43,279	43,077	(202)
257,781	257,530	(251)
60,661	60,661	0
<u>16,409,616</u>	<u>17,925,323</u>	<u>1,515,707</u>
3,972,227	3,970,913	1,314
5,546,851	5,546,850	1
53,310	53,310	0
521,826	521,826	0
1,208,634	1,208,634	0
390,712	390,712	0
950,019	949,973	46
2,967,366	4,526,631	(1,559,265)
959,719	959,719	0
904,023	904,023	0
<u>17,474,687</u>	<u>19,032,591</u>	<u>(1,557,904)</u>
<u>(1,065,071)</u>	<u>(1,107,268)</u>	<u>(42,197)</u>
1,436,430	1,436,430	0
61	61	0
270,133	270,133	0
483,379	483,379	0
<u>(733,379)</u>	<u>(733,379)</u>	<u>0</u>
<u>1,456,624</u>	<u>1,456,624</u>	<u>0</u>
391,553	349,356	(42,197)
5,615,559	5,615,559	0
362,601	362,601	0
<u>\$ 6,369,713</u>	<u>\$ 6,327,516</u>	<u>\$ (42,197)</u>

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

*Combined Statement of Revenues, Expenses,
and Changes in Retained Earnings*
All Proprietary Fund Types

For the Year Ended December 31, 2002

	<u>Enterprise</u>
Operating Revenue:	
Charges for Services	\$ 702,719
Other	38,466
Total Operating Revenues	<u>741,185</u>
Operating Expenses:	
Personal Services	292,505
Contractual Service	908,762
Depreciation	447,415
Total Operating Expenses	<u>1,648,682</u>
Operating Income (Loss)	(907,497)
Non-Operating Revenues (Expenses):	
Interest Income	7,628
Contributions and Donations	328,102
Total Non-Operating Revenues (Expenses)	<u>335,730</u>
Income (Loss) Before Operating Transfers	(571,767)
Operating Transfers In	927,120
Operating Transfer Out	<u>(50,000)</u>
Net Income (Loss)	305,353
Add depreciation on fixed assets acquired by capital grants which reduces contributed capital from such grants	276,524
Retained Earnings at Beginning of Year	<u>4,570,500</u>
Retained Earnings at End of Year	<u>\$ 5,152,377</u>

See accompanying notes to the general purpose financial statements.

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

Combined Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended December 31, 2002

	Enterprise
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 741,012
Cash Payments for Goods and Services	(953,995)
Cash Payments for Employee Services and Benefits	(290,121)
Net Cash Used for Operating Activities	(503,104)
Cash Flows from Noncapital Financing Activities:	
Transfers In	927,120
Transfers Out	(50,000)
Advances Out	(270,133)
Net Cash Provided by Noncapital Financing Activities	606,987
Cash Flows from Capital and Related Financing Activities:	
Contributed Capital	328,102
Payments for Capital Acquisitions	(650,937)
Net Cash Used for Capital and Related Financing Activities	(322,835)
Cash Flows from Investing Activities:	
Interest on Investments	7,628
Net Cash Provided by Investing Activities	7,628
Net Decrease in Cash and Cash Equivalents	(211,324)
Cash and Cash Equivalents at Beginning of Year	438,864
Cash and Cash Equivalents at End of Year	\$ 227,540
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (907,497)
Depreciation Expense	447,415
(Increase) Decrease in Assets:	
Accounts Receivable	(173)
Increase (Decrease) in Liabilities:	
Accounts Payable	(45,233)
Accrued Salaries, Wages and Benefits	1,489
Compensated Absences Payable	(2,393)
Intergovernmental Payable	3,288
Net Cash Used for Operating Activities	\$ (503,104)

See accompanying notes to the general purpose financial statements.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The City of Broadview Heights, Ohio, was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Broadview Heights Charter was adopted by the electorate on November 7, 1961. The City, under its charter, operates with an elected Council/Mayor form of government. The responsibilities for the major financial functions of the City are divided among the Mayor, Council, and Finance Director. The City's fiscal year corresponds with the calendar year.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City.

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 provided financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City does not have any component units; therefore, the financial statements are that of the primary government.

The following entity which performs activities within the City's boundaries for the benefit of its residents is excluded from the accompanying financial statements because the City is not financially accountable for this entity nor is it fiscally dependent on the City.

Southwest Council of Governments - The Southwest Council of Governments was established to foster cooperation between municipalities in all areas of municipal service. This includes but is not limited to the effective exchange of information, pooling of manpower and resources for the efficient solutions of specific problems dealing with reciprocal service, mutual aid, and parallel action, and the exchange of ideas relating to area-wide interest. This is a jointly governed organization. The City's participation is disclosed in Note 19 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The City has the following fund types and account groups:

Governmental Fund Types

Governmental fund types are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Revenues (Exchange and Non-exchange Transactions) - Revenue resulting from exchange transactions, in which each party gives and received 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. For the City, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the City received value without directly giving equal value in return, including property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 13.) Revenue from grants is recognized in the fiscal 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 fiscal 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 District 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 fiscal year end: property taxes available as an advance, interest, grants, and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures - Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Special Revenue Funds - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Funds - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds.

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations. Proprietary funds include the following fund type:

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the City in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Agency Funds - custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Account Groups

Account groups are used to distinguish fixed assets not related to a specific fund and long-term liabilities not related to a specific fund. For reporting purposes, account groups included in these financial statements consisted of:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary or trust funds.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

General Long-Term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

B. CASH AND CASH EQUIVALENTS

The City pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code.

For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

C. INVESTMENTS

Nonparticipating interest-earning contracts are stated at cost. Money market investments and participating interest earning contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

D. RECEIVABLES

Taxes receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Other receivables are reflected at their gross value.

E. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the City are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The City does not capitalize items of infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated useful life of the asset. Estimated useful life for buildings and improvements is between 40-45 years, for machinery and equipment between 3-10 years, and for vehicles 10 years.

F. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group. Special assessment bonded debt with governmental commitment has been reflected in the general long-term debt account group.

G. UNPAID COMPENSATED ABSENCES

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

term debt account group. Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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.

H. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. During the year ended December 31, 2002, the City had the following transfer transactions:

	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund	\$ 0	\$ 70,281
Special Revenue	21,875	107,000
Debt Service	320,641	0
Capital Projects	129,863	1,172,218
Enterprise Funds	<u>927,120</u>	<u>50,000</u>
Total	<u>\$ 1,399,499</u>	<u>\$ 1,399,499</u>

I. FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

J. TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those results.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY PROCESS

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 of which 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 required to be budgeted and appropriated. The primary level of budgetary control is at the major account level (personnel, employee benefits, miscellaneous, debt service, capital projects, and transfers) within each fund. Budgetary modifications may only be made by ordinance of the City Council.

Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the ensuing January 1 to December 31.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1.

As part of the certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include January 1, 2002 unencumbered fund balances. However, those fund balances are available for appropriations.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

Appropriations

A temporary appropriation measure 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 major account level (personnel, employee benefits, miscellaneous, debt service, capital projects, and transfers) and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by an ordinance of City Council. Certain supplemental appropriation ordinances were legally enacted by Council during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

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 need not be reappropriated.

Encumbrances

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

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

The adjustments necessary to convert the results of operations for the year from the GAAP basis to the budget basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis (as reported)	\$ 266,349	\$ (5,458)	\$ (262,858)	\$ 188,243
Adjustments:				
Proceeds from notes	0	0	0	1,436,430
Revenue accruals	230,709	(6,088)	(896)	(2,609,032)
Expenditure accruals	(105,227)	3,283	1,916,023	1,498,972
Principal retirement for debt	0	0	(959,719)	0
Interest and fiscal charges for debt	0	0	(904,023)	0
Encumbrances	<u>(98,892)</u>	<u>(89,408)</u>	<u>0</u>	<u>(149,052)</u>
Budget basis	<u>\$ 292,939</u>	<u>\$ (97,671)</u>	<u>\$ (211,473)</u>	<u>\$ 365,561</u>

NOTE 4 COMPLIANCE

For the fiscal year ended June 30, 2003, the City did not appropriate fund for the expenditures related to the Route 82 widening project. This resulted in expenditures that exceeded appropriations at the fund/function level of budgetary control in Capital Projects fund type. This is a violation of the Ohio Revised Code, Section 5705.41(B).

NOTE 5 POOLED CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the City has identified as not required for use within the current two 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

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

one year from the date of deposit, or by savings or deposit accounts including passbook accounts. 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 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 agreement 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;
- 6.) The State Treasurer's investment pool (STAR Ohio);
- 7.) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- 8.) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, 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 of debt of the City, and must be purchased with the expectation that it will be held until maturity.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer 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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian .

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

The City maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and equivalents."

B. DEPOSITS AND CASH ON HAND

At year end, the carrying amount of the City's deposits was \$935,371, \$525 of which was petty cash. The bank balance was \$1,132,415. Of the bank balance, \$144,494 is collateralized by federal depository insurance and \$987,921 by collateral held by third party trustees in accordance with the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

C. INVESTMENTS

During 2002, the City realized interest income in the OWDA accounts of \$58,708. 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 2002 was \$51,835. This amount takes into account all changes in fair value, including purchases and sales, that occurred during the year.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer'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 broker or dealer or by its trust department but not in the City's name. Investment in STAROhio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value	Fair Value
	1	2	3		
Government Securities	\$ 0	\$ 0	\$ 1,449,621	\$ 1,449,621	\$ 1,449,621
Federal National Mortgage Assn	0	499,531	0	499,531	499,531
Federal Home Loan Bank	0	500,000	0	500,000	500,000
Freddie Mac	0	600,000	0	600,000	600,000
Repurchase Agreements	0	1,033,168	0	1,033,168	1,033,168
	<u>\$ 0</u>	<u>\$ 2,632,699</u>	<u>\$ 1,449,621</u>		
Investment in State Treasurer's Investment Pool				<u>3,623,745</u>	<u>3,623,745</u>
				<u>\$ 7,706,065</u>	<u>\$ 7,706,065</u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 6 TAXES RECEIVABLE

Taxes receivable, net of allowance for estimated uncollectible, consisted of:

Property Taxes - Current	\$ 2,843,320
Property Taxes - Delinquent	138,399
Permissive Tax	16,816
Gasoline Tax	146,601
Municipal Income Taxes, Employer Withholding	1,963,292
Estate Tax	20,179
Hotel/Motel Tax	413
	<u>413</u>
	<u><u>\$ 5,129,020</u></u>

NOTE 7 INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable consisted of:

Local Government	\$ 72,568
Auto Registration	77,018
Homestead/Rollback	340,505
Charges for Services	13,735
ODOT Grant	128,041
	<u>128,041</u>
	<u><u>\$ 631,867</u></u>

NOTE 8 FIXED ASSETS

A. GENERAL FIXED ASSETS ACCOUNT GROUP

The changes in general fixed assets during the year consisted of:

	<u>Balance</u> <u>01/01/2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2002</u>
Land	\$ 1,165,450	\$ 0	\$ 0	\$ 1,165,450
Buildings and Improvements	6,758,110	50,072	0	6,808,182
Equipment and Vehicles	4,575,359	562,026	221,107	4,916,278
Construction in Progress	122,245	2,998,955	0	3,121,200
	<u>122,245</u>	<u>2,998,955</u>	<u>0</u>	<u>3,121,200</u>
Total general fixed assets	<u><u>\$ 12,621,164</u></u>	<u><u>\$ 3,611,053</u></u>	<u><u>\$ 221,107</u></u>	<u><u>\$ 16,011,110</u></u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

B. PROPRIETARY FIXED ASSETS

Proprietary fund fixed assets and accumulated depreciation at year end consisted of:

	Enterprise Funds
Buildings and Improvements	\$ 18,856,465
Machinery and Equipment	491,359
Vehicles	187,478
	<u>19,535,302</u>
Less: accumulated depreciation	<u>(6,639,778)</u>
Net fixed assets	<u><u>\$ 12,895,524</u></u>

NOTE 9 DEFERRED REVENUE

Deferred revenue at year end consisted of:

Property Taxes Receivable	\$ 2,981,719
Homestead/Rollback	340,505
Special Assessments Receivable	10,265,628
Local Government	42,377
Gasoline Tax	104,363
Auto Registration	70,146
Municipal Income Tax	751,845
Estate Taxes Receivable	20,179
	<u>20,179</u>
	<u><u>\$ 14,576,762</u></u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 10 LONG TERM DEBT

Changes in general long-term debt consisted of the following:

	Balance 1/1/2002	Additions	Reductions	Balance 12/31/2002
Intergovernmental Payables	\$ 258,272	\$ 291,991	\$ (258,272)	\$ 291,991
Notes Payable	0	1,436,430	0	1,436,430
OWDA Loans Payable	6,364,143	0	(503,141)	5,861,002
General Obligation Bonds	4,463,483	0	(193,004)	4,270,479
Special Assessment Bonds	2,928,017	0	(263,574)	2,664,443
Compensated Absences Payable	600,900	134,946	0	735,846
	<u>\$ 14,614,815</u>	<u>\$ 1,863,367</u>	<u>\$ (1,217,991)</u>	<u>\$ 15,260,191</u>

Debt service requirements, including principal and interest, to retire loans payable and bond obligations outstanding at December 31, 2002, consisted of:

Year	General Obligation Bonds	Special Assessment Bonds	OWDA Loans	Total
2003	\$ 385,151	\$ 439,738	\$ 961,001	\$ 1,785,890
2004	459,704	435,798	961,001	1,856,503
2005	460,798	417,888	961,001	1,839,687
2006	462,275	358,906	961,001	1,782,182
2007	463,101	358,530	961,001	1,782,632
2008-2012	2,234,144	1,130,911	2,005,633	5,370,688
2013-2017	1,382,025	376,448	944,060	2,702,533
2018-2020	470,741	177,676	245,090	893,507
	<u>\$ 6,317,939</u>	<u>\$ 3,695,895</u>	<u>\$ 7,999,788</u>	<u>\$ 18,013,622</u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

	Outstanding 12/31/01	Additions	Reductions	Outstanding 12/31/02
<i>General Obligation Bonds</i>				
Street Improvement (1986) 6.750% through 2002	\$ 70,000	\$ 0	\$ (70,000)	\$ 0
Street Improvement (1988) 7.375% through 2008	75,306	0	(10,758)	64,548
Sewer Improvement (1989) 7.140% through 2009	56,389	0	(4,743)	51,646
Street Improvement (1989) 7.000% through 2009	19,043	0	(2,381)	16,662
Street Improvement (1991) 6.772 % through 2009	12,227	0	(941)	11,286
Sidewalk Improvements (1977) 5.250%	2,500	0	0	2,500
Broadview Center Improvement 4.961% through 2013	1,550,000	0	(10,000)	1,540,000
Various Purpose (1999) 4.5% - 5.65% through 2019	<u>2,678,018</u>	<u>0</u>	<u>(94,181)</u>	<u>2,583,837</u>
	4,463,483	0	(193,004)	4,270,479
<i>Special Assessment Bonds With City Commitment</i>				
Street Improvement (1985) 9.250% through 2005	180,000	0	(45,000)	135,000
Street Improvement (1988) 7.375% through 2008	344,694	0	(49,240)	295,454
Sewer Improvement (1989) 7.140% through 2009	478,611	0	(40,257)	438,354
Street Improvement (1989) 7.000% through 2009	340,955	0	(42,620)	298,335
Street Improvement (1990) 7.850% through 2009	100,000	0	(10,000)	90,000
Street Improvement (1991) 6.772 % through 2009	572,775	0	(44,060)	528,715
Sewer Improvement (1994) 5.500% through 2014	77,000	0	(5,000)	72,000
Sewer Improvement (1995) 6.383% through 2015	31,000	0	(1,000)	30,000
Sewer Improvement (2001) 6.1% through 2021	211,000	0	(5,578)	205,422
Various Purpose (1999) 4.5% - 5.65% through 2019	<u>591,982</u>	<u>0</u>	<u>(20,819)</u>	<u>571,163</u>
	<u>2,928,017</u>	<u>0</u>	<u>(263,574)</u>	<u>2,664,443</u>
Total Bonds Payable	<u>\$ 7,391,500</u>	<u>\$ 0</u>	<u>\$ (456,578)</u>	<u>\$ 6,934,922</u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 11 NOTES PAYABLE

The City issued bond anticipation notes against authorized but not issued bonds. The changes in the notes payable at December 31, 2002 consisted of the following:

	Outstanding 12/31/01	Additions	Reductions	Outstanding 12/31/2002
Notes Payable				
Interest rate is 5.0%, due 11/29/03	\$ 0	\$ 251,650	\$ 0	\$ 251,650
Interest rate is 5.0%, due 11/29/03	0	455,500	0	455,500
Interest rate is 5.0%, due 8/5/03	0	729,280	0	729,280
	\$ 0	\$ 1,436,430	\$ 0	\$ 1,436,430

NOTE 12 OHIO WATER DEVELOPMENT AUTHORITY (OWDA) LOANS PAYABLE

OWDA loans payable at year end consisted of:

	Outstanding 12/31/01	Additions	Reductions	Outstanding 12/31/02
<i>Ohio Water Development Authority Loans</i>				
Sewer System (1985)				
4.04% - 9.78%				
through 2021	\$ 6,364,143	\$ 0	\$ (503,141)	\$ 5,861,002

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 13 INTERFUND TRANSACTIONS

Interfund balances at December 31, 2002 consisted of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund	\$ 197,347	\$ 0
Special Revenue Funds		
Drug Fines	500	0
Enforcement Education	85	0
	585	0
Capital Projects Funds		
Mayor's Court Computer	750	0
ODNR	0	11,000
Briarwood Sewer	0	270,133
EPA Sewer	0	139,678
Avery Road	0	254,769
Streets Capital Improvement	228,238	0
	228,988	675,580
Enterprise Funds		
Sewer Capital Improvement	270,133	0
Trust and Agency Funds		
Mayor's Court	0	21,473
	\$ 697,053	\$ 697,053

NOTE 14 PROPERTY TAXES

Property taxes include amounts levied on all real and public utility property and business tangible personal property which is located in the City. Cuyahoga County is responsible for assessing, collecting, and remitting these property taxes to the City.

Real property taxes collected in 2002 were based on assessed value equal to thirty five percent of appraised value. The Cuyahoga County Auditor reappraises real property every six years with a triennial update, which last update was completed for 2000. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Cuyahoga County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 2002 before certain homestead and rollback reductions, which reductions are reimbursed to the City by the State of Ohio, amounted to \$ 9.40 per \$ 1,000 of assessed valuation. The effective rate applied after adjustment for inflationary increases in property values was \$ 6.41 per \$ 1, 000 of assessed valuation for residential and agricultural real property, and \$6.99 per \$ 1,000 of assessed valuation for other real property.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

Tangible personal property used in business is required to be reported by its owners by April 30, of each year. The property is assessed for tax purposes at 25% of statutory true value. The tax rate applied to tangible personal property for the current year ended December 31, 2002 was \$9.40 per \$ 1,000 of valuation.

Property valuation consisted of:

Real Property - 2001	
Residential/Agricultural	\$ 359,790,080
Other Real Estate	78,073,750
Tangible Personal Property - 2002	
General	21,571,372
Public Utilities	<u>9,343,520</u>
Total Valuation	<u>\$ 468,778,722</u>

NOTE 15 PENSION PLANS

Public Employees Retirement System of Ohio (PERS)

All employees other than policemen and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. For 2002, the rate is 13.55% of annual covered payroll. The City's contributions to PERS for the years ended December 31, 2002, 2001, and 2000, were \$530,337, \$481,897, and \$355,919, respectively, equal to the required contributions for each year. The full amount has been contributed for 2001 and 2000. For 2002, 77% has been contributed, with the remainder being reported as a liability within the general long-term debt account group.

Ohio Police and Fire Pension Fund (OP&F)

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to OP&P for the years ending December 31, 2002, 2001, and 2000, were \$563,181, \$522,987, and \$466,372, respectively, equal to the required contributions for each year. The full amount has been contributed for 2001 and 2000. For 2002, 76% has been contributed, with the remainder being reported as a liability within the general long-term debt account group.

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio (PERS)

Public Employees Retirement System of Ohio (PERS) provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate for local government employers rate was 13.55% of covered payroll and for law enforcement the contribution rate was 16.70%; 5% was the portion that was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. OPEB is advance-funded on an actuarially determined basis. The rates stated above are the actuarially determined contribution requirements for PERS. \$11.6 billion represents the actuarial value of the Retirement System's net assets available for the future OPEB payments. The actuarially accrued liability and the unfunded actuarial accrued liability based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively. The number of active contributing participants at December 31, 2001 was 402,041. The portion of the City's contributions that was used to fund postemployment benefits at December 31, 2002 was \$195,238.

Ohio Police and Fire Pension Fund (OP&F)

The Fund provides postretirement 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 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB). The Ohio Revised Code provides that health care cost paid from the funds of Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the Fund's board of trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. Currently, 7.75% of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

The number of participants eligible to receive health care benefits as of December 31, 2001 (the latest information available) was 13,174 for police and 10,239 for firefighters. The employer contributions actually made to pay postemployment benefits were \$131,449 for policemen and \$74,960 for firemen. The Fund's total health care expense for the year ending December 31, 2001 (the latest information available) was \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 17 CONTRIBUTED CAPITAL

The changes in the City's contributed capital accounts for its proprietary fund were as follows:

Contributed Capital, 12/31/01	\$	8,686,914
Reductions, Depreciation		<u>(276,524)</u>
Contributed Capital, 12/31/02	\$	<u>8,410,390</u>

NOTE 18 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. For the past several years, settled claims from these risks have not exceeded commercial insurance coverage.

The City provides health and dental benefits for 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.

NOTE 19 MUNICIPAL INCOME TAX

The City levies an income tax of 2% on substantially all income earned within the city. In addition, residents are required to pay City income tax on income earned outside the City. The City allows a credit of 75% of the tax paid to another municipality applied toward the total amount assessed, or 2%.

NOTE 20 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.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

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 21 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 22 CONTRACTUAL COMMITMENTS

As of December 31, 2002 the City had contractual commitments as follows:

Project	Project Authorization	Expended to Date	Outstanding 12/31/02
Kenmore Construction			
Rt. 82 Improvement	\$ 4,068,738	\$ (2,621,585)	\$ 1,447,153
Precision Pump			
UST Removal	150,000	(90,945)	59,055
Geo-Sci, Inc.			
Rt. 82 Improvement	20,200	(12,208)	7,992
Euthenics			
Intersection Design	39,900	(16,758)	23,142
Maintenance Unlimited			
Water Line	196,650	(166,215)	30,435
Ty, Inc.			
Glen Abbey Sanitary	551,953	(493,470)	58,483
Maintenance Unlimited			
Sanitary Sewer	675,050	0	675,050
R.E. Warner			
Service Facility Garage	186,838	(160,623)	26,215
Dunlop & Johnston, Inc.			
Service Facility Garage	1,022,946	(50,500)	972,446
General Steel			
Service Facility Garage	123,068	(102,883)	20,185
Miscellaneous			
Service Facility Garage	548,687	0	548,687
	<u>\$ 7,584,030</u>	<u>\$ (3,715,187)</u>	<u>\$ 3,868,843</u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 23 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.

As of December 31, 2002, the building has not been abated or demolished. However, as of July 2, 2003, City officials are investigating steps to abate the property. No immediate plans exist for the demolition of the building. The City has not formally signed any contracts as of July 2, 2003 to abate and/or demolish the property.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

July 2, 2003

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

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

We have audited the general purpose financial statements of the City of Broadview Heights, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated July 2, 2003. 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 Heights, Ohio, general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2002-1 and 2002-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Broadview Heights, Ohio, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Broadview Heights' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-2 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of City of Broadview Heights, Ohio, in a separate letter dated July 2, 2003.

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

July 2, 2003

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 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, 2002. 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, 2002.

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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Broadview Height's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider 2002-2 to be a material weakness.

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the general purpose financial statements of the City of Broadview Heights as of and for the year ended December 31, 2002, and have issued our report thereon dated July 2, 2003. Our audit was performed for the purpose of forming an opinion on the general purpose 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 general purpose financial statements of the City of Broadview Heights. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose 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, 2002**

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)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(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?	Yes
(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

**CITY OF BROADVIEW HEIGHTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
DECEMBER 31, 2002**

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

2002-01 - Unencumbered Purchase Commitments

Ohio Rev. Code Section 5705.41 requires that funds be encumbered before the City enters into a purchase commitment. During our audit testing we noted multiple instances where invoices were dated before the corresponding date on the purchase orders, indicating that the funds were encumbered after the purchase had been made. The City was also involved in multiple construction projects as of December 31, 2002. The City is required to encumber the total contract amount when the contract agreements is finalized. In situations where a contract will span several years, the City is only required to encumber the amount expected to be paid during the current year as well as any amount obligated to be paid directly after year end. However, during our testing we discovered that the City encumbered funds related to each contract as the progress billings were received. The result of this practice is that the uncompleted portion of each project remains unencumbered until the point in time when the work is completed and the City is billed by the contractor.

We recommend that the City begin requiring purchase orders be prepared before the related purchases are made and/or paid for. In the situation of a construction project, the City should encumber the entire contract amount when the contract is signed or the amount expected to be paid during the current year. We recommend that the City consider using blanket purchase orders to encumber reoccurring expenses such as gas and electric bills to help alleviate the administrative burden.

2002-02 - Revenue Recognition

The City is required to have effective controls in place to identify and record both federal and non-federal revenues and expenses. The City received a \$3,000,000 grant, comprised of \$2,900,000 of federal funding and \$100,000 of state funding, to widen Route 82 in the City of Broadview Heights. All payments related to this grant were made directly from the Ohio Department of Transportation to the general contractor. The expenditures and corresponding revenue were not recorded on the City's books. The City also did not include the corresponding revenue and expenditures on it's Certificate of Estimated Resources or in its Permanent Appropriation Resolutions, respectively.

We recommend that the City implement policies and procedures to ensure that all receipts and expenditures are identified and appropriately recorded to the City's books. Non-traditional payment arrangements such as those described above need to be recognized in the same manner as if they had actually received the funds and then personally paid the third party.

2002-03 - ORC Compliance Violation

Ohio Rev. Code Section 5705.41(B), Revised Code, states in part, that money may not be expended unless it is has been appropriated. During our audit testing we noted that expenditures related to the Route 82 project in the Capital Projects fund type were not appropriated during the fiscal year. Thus expenditures exceeded appropriations at the fund/function budgetary level of control.

We recommend the City appropriate the funds needed to complete projects before the projects are started and funds are expended.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

See 2002-02 - Revenue Recognition

**CITY OF BROADVIEW HEIGHTS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - CASH BASIS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Disbursements
U. S. Department of Transportation (Passed Through Ohio Department of Transportation):			
Highway Planning and Construction (A)	20.205	CUY-SR82-9.83	\$ 1,433,253
Total U.S. Department of Transportation			<u>1,433,253</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 1,433,253</u></u>

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



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF 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
SEPTEMBER 30, 2003**