

**City of
Broadview Heights, Ohio**

* * * *

Financial Statements

December 31, 2004



**Auditor of State
Betty Montgomery**

Mayor and 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, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of 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

June 24, 2005

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City of Broadview Heights, Ohio

For the Year Ended December 31, 2004

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May 11, 2005

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, 2004, 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 opinions 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, 2004, 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 May 11, 2005, 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.

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.

Kea & Associates, Inc.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(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, 2004.

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

Financial Highlights

Key financial highlights for 2004 are as follows:

- The City's net assets decreased approximately \$1.7 million as a result of this year's operations. Net assets of our business-type activities increased by approximately \$116,000, or 1.7%, and net assets of governmental activities decreased by almost \$1.8 million, or 5.4%.
- The City issued General Obligation Bonds of \$305,000 and Special Assessments Bonds of \$505,000 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, 2004
(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 all of its funds. A budgetary comparison statement has been provided for the general fund and fire levy 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, 2004
(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, 2004
(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 2004 compared to 2003:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 19,983,052	\$ 21,103,259	\$ 703,506	\$ 706,527	\$ 20,686,558	\$ 21,809,786
Capital Assets, Net	31,081,094	32,040,052	6,276,617	6,149,849	37,357,711	38,189,901
Total Assets	51,064,146	53,143,311	6,980,123	6,856,376	58,044,269	59,999,687
Liabilities						
Current and Other Liabilities	4,426,766	4,177,138	27,803	23,693	4,454,569	4,200,831
Long Term Liabilities						
Due Within One Year	1,390,050	2,033,221	1,697	587	1,391,747	2,033,808
Due in More than One Year	13,977,994	13,873,286	12,358	9,871	13,990,352	13,883,157
Total Liabilities	19,794,810	20,083,645	41,858	34,151	19,836,668	20,117,796
Net Assets						
Invested in Capital Assets Net of Debt	17,874,381	17,020,930	6,276,617	6,149,849	23,512,877	* 23,170,779
Restricted						
Other Purposes	756,269	583,671	0	0	756,269	583,671
Debt Service	7,987,567	10,762,082	0	0	7,987,567	10,762,082
Capital Projects	109,747	107,364	0	0	109,747	107,364
Unrestricted (Deficit)	4,541,372	4,585,619	661,648	672,376	5,841,141	* 5,257,995
Total Net Assets	\$ 31,269,336	\$ 33,059,666	\$ 6,938,265	\$ 6,822,225	\$ 38,207,601	\$ 39,881,891

The totals for governmental and business-type activities represents their respective investment in capital assets, net of related debt, and the total of the City reflects all capital assets and debt which includes debt for business-type assets recorded in the governmental activities. See Note 13 for more information.

The City's *combined* net assets changed from a year ago, *decreased* from \$39.9 million to \$38.2 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge.

City of Broadview Heights
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Net assets in the City's governmental activities decreased by 5.4% (\$31.3 million compared to \$33.1 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 decreased approximately \$44,000. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance increased by nearly \$175,000. Net assets restricted for debt obligations decreased \$2.8 million. The investments in capital assets, net of debt category increased by \$853,000.

Net assets in the City's business-type activities increased by 1.7% in 2004. The City can only use these net assets to finance the continuing operations of sanitary sewer maintenance.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 3,042,471	\$ 3,561,723	\$ 846,031	\$ 767,758	\$ 3,888,502	\$ 4,329,481
Operating Grants and Contributions	1,435,895	972,068	2,532	0	1,438,427	972,068
Capital Grants and Contributions	63,742	1,438,706	0	0	63,742	1,438,706
Total Program Revenues	4,542,108	5,972,497	848,563	767,758	5,390,671	6,740,255
<i>General Revenue:</i>						
City Income Taxes	8,178,037	7,449,331	0	0	8,178,037	7,449,331
Property Taxes	3,261,269	2,706,649	0	0	3,261,269	2,706,649
Hotel Tax	5,884	5,974	0	0	5,884	5,974
Grants and Contributions	1,135,588	1,277,704	0	0	1,135,588	1,277,704
Interest and Investment Earnings	17,830	95,969	0	7,012	17,830	102,981
Rentals	132,633	54,179	0	0	132,633	54,179
Other	50,974	119,359	84,913	100,585	135,887	219,944
Total General Revenues	12,782,215	11,709,165	84,913	107,597	12,867,128	11,816,762
Total Revenues	17,324,323	17,681,662	933,476	875,355	18,257,799	18,557,017
Program Expenses						
General Government	5,841,878	4,275,024	0	0	5,841,878	4,275,024
Security of Persons and Property	6,120,790	6,503,289	0	0	6,120,790	6,503,289
Public Health	151,981	54,963	0	0	151,981	54,963
Community Development	669,270	689,483	0	0	669,270	689,483
Transportation	2,811,944	2,225,875	0	0	2,811,944	2,225,875
Basic Utility	653,612	410,943	0	0	653,612	410,943
Leisure Time Activities	1,040,350	992,949	0	0	1,040,350	992,949
Interest on Long Term Debt	1,077,977	929,296	0	0	1,077,977	929,296
Sewer Maintenance	0	0	1,564,287	1,316,789	1,564,287	1,316,789
Total Expenses	18,367,802	16,081,822	1,564,287	1,316,789	19,932,089	17,398,611
<i>Increase (Decrease) in Net Assets</i>						
<i>Before Transfers</i>	(1,043,479)	1,599,840	(630,811)	(441,434)	(1,674,290)	1,158,406
Net Transfers	(746,851)	0	746,851	0	0	0
Increase (Decrease) in Net Assets	\$ (1,790,330)	\$ 1,599,840	\$ 116,040	\$ (441,434)	\$ (1,674,290)	\$ 1,158,406

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(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.

Table 3
Governmental Activities

	2004		2003	
	Total Cost	Net Cost	Total Cost	Net Cost
General Government	\$ 5,841,878	\$ 3,434,824	\$ 4,275,024	\$ 1,652,722
Security of Persons and Property	6,120,790	5,667,552	6,503,289	6,065,484
Public Health	151,981	126,371	54,963	54,828
Community Development	669,270	669,270	689,483	689,483
Transportation	2,811,944	1,839,391	2,225,875	(21,020)
Basic Utility	653,612	653,612	410,943	410,943
Leisure Time	1,040,350	356,697	992,949	327,589
Interest and Fiscal Charges	1,077,977	1,077,977	929,296	929,296
<i>Total Expenses</i>	<u>\$ 18,367,802</u>	<u>\$ 13,825,694</u>	<u>\$ 16,081,822</u>	<u>\$ 10,109,325</u>

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 17.6% of revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 8.7%. The remaining revenues are primarily generated locally through income tax (47.2%) and property taxes (18.8%).

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(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 \$18.5 million and expenditures of \$20.9 million. The General Fund balance decreased approximately \$77,000. Within the General Fund, revenues exceeded expenditures by nearly \$63,000.

The Fire Levy Fund balance decreased by \$42,000. The General Bond Retirement Fund and the OWDA Bond Retirement Fund balances also decreased by \$35,000 and \$154,000, respectively. The Streets Capital Improvement fund decreased by \$74,000.

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 2004, the City had approximately \$31.1 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). Table 4 shows fiscal year 2004 balances compared with 2003.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,165,450	\$ 1,165,450	\$ 0	\$ 0	\$ 1,165,450	\$ 1,165,450
Construction in Progress	0	1,951,639	0	0	0	1,951,639
Buildings and Improvements	5,102,062	5,228,223	588,663	617,084	5,690,725	5,845,307
Improvements	1,074,627	813,762	0	0	1,074,627	813,762
Furniture and Fixtures	17,733	20,299	0	0	17,733	20,299
Machinery and Equipment	583,299	607,061	66,787	75,052	650,086	682,113
Vehicles	1,041,963	1,119,287	0	0	1,041,963	1,119,287
Infrastructure	22,095,960	21,134,331	5,621,167	5,457,713	27,717,127	26,592,044
Totals	\$ 31,081,094	\$ 32,040,052	\$ 6,276,617	\$ 6,149,849	\$ 37,357,711	\$ 38,189,901

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

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

- Construction was completed on a sanitary sewer project at a cost of \$747,000.
- Improvements to a water line and a storm sewer were completed for \$920,000.
- Improvements to Old Royalton Road were completed at a cost of \$646,000.

Depreciation expense exceeded additions in 2004, resulting in a net decrease of \$958,958 from 2003.

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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Management's Discussion and Analysis
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(Unaudited)

Debt

At December 31, 2004, the City had \$9.3 million in bonds, \$4.5 million in OWDA loans and \$.6 million in the Brownfield Cleanup Revolving Loan.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities 2004	Governmental Activities 2003
General Obligation Bonds	\$ 5,413,428	\$ 5,469,379
Special Assessment Bonds	3,878,193	3,701,577
Brownfield Cleanup Revolving Loan	573,675	0
OWDA Loans	4,553,213	5,130,166
Totals	\$ 14,418,509	\$ 14,301,122

At December 31, 2004, the City had outstanding long-term debt obligations in the amount of \$14.4 million up from \$14.3 million in 2003 for the governmental activities which represents a .8% 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, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 4,617,938	\$ 368,462	\$ 4,986,400
Cash with Fiscal Agent	1,164,881	0	1,164,881
Receivables:			
Accounts	215,881	235,044	450,925
Internal Balances	(100,000)	100,000	0
Taxes (Net of Allowance)	5,588,901	0	5,588,901
Intergovernmental	643,969	0	643,969
Special Assessments	7,851,482	0	7,851,482
Noncurrent Assets:			
Land	1,165,450	0	1,165,450
Depreciable Capital Assets, Net of Depreciation	29,915,644	6,276,617	36,192,261
<i>Total Assets</i>	<u>51,064,146</u>	<u>6,980,123</u>	<u>58,044,269</u>
Liabilities			
Accounts Payable	229,374	1,473	230,847
Contracts Payable	38,988	0	38,988
Intergovernmental Payable	389,968	10,266	400,234
Accrued Salaries, Wages and Benefits	273,966	16,064	290,030
Deferred Revenue	3,300,819	0	3,300,819
Accrued Interest Payable	193,651	0	193,651
Non Current Liabilities:			
Due Within One Year	1,390,050	1,697	1,391,747
Due In More Than One Year	13,977,994	12,358	13,990,352
<i>Total Liabilities</i>	<u>19,794,810</u>	<u>41,858</u>	<u>19,836,668</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	17,874,381	6,276,617	23,512,877
Restricted for:			
Other Purposes	756,269	0	756,269
Debt Service	7,987,567	0	7,987,567
Capital Projects	109,747	0	109,747
Unrestricted	4,541,372	661,648	5,841,141
<i>Total Net Assets</i>	<u>\$ 31,269,336</u>	<u>\$ 6,938,265</u>	<u>\$ 38,207,601</u>

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the invested in capital assets, net of related debt for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 13.

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 5,841,878	\$ 2,327,075	\$ 16,237	\$ 63,742
Security of Persons and Property	6,120,790	8,670	444,568	0
Public Health	151,981	23,073	2,537	0
Community Development	669,270	0	0	0
Transportation	2,811,944	0	972,553	0
Basic Utility	653,612	0	0	0
Leisure Time	1,040,350	683,653	0	0
Interest and Fiscal Charges	1,077,977	0	0	0
<i>Total Governmental Activities</i>	<u>18,367,802</u>	<u>3,042,471</u>	<u>1,435,895</u>	<u>63,742</u>
Business-Type Activities				
Sewer	<u>1,564,287</u>	<u>846,031</u>	<u>2,532</u>	<u>0</u>
<i>Total Business-Type Activities</i>	<u>1,564,287</u>	<u>846,031</u>	<u>2,532</u>	<u>0</u>
<i>Totals</i>	<u>\$ 19,932,089</u>	<u>\$ 3,888,502</u>	<u>\$ 1,438,427</u>	<u>\$ 63,742</u>

General Revenues

Municipal Income Tax Levied For:

General Purposes

Other Purposes

Capital Outlay

Property Taxes Levied For:

General Purposes

Police and Fire

Debt Service

Hotel Tax

Grants and Entitlements not Restricted
to Specific Programs

Interest and Investment Earnings

Rentals

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

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
\$ (3,434,824)	\$ 0	\$ (3,434,824)
(5,667,552)	0	(5,667,552)
(126,371)	0	(126,371)
(669,270)	0	(669,270)
(1,839,391)	0	(1,839,391)
(653,612)	0	(653,612)
(356,697)	0	(356,697)
(1,077,977)	0	(1,077,977)
<u>(13,825,694)</u>	<u>0</u>	<u>(13,825,694)</u>
<u>0</u>	<u>(715,724)</u>	<u>(715,724)</u>
<u>0</u>	<u>(715,724)</u>	<u>(715,724)</u>
<u>(13,825,694)</u>	<u>(715,724)</u>	<u>(14,541,418)</u>
5,953,473	0	5,953,473
182,845	0	182,845
2,041,719	0	2,041,719
1,491,222	0	1,491,222
1,722,918	0	1,722,918
47,129	0	47,129
5,884	0	5,884
1,135,588	0	1,135,588
17,830	0	17,830
132,633	0	132,633
50,974	84,913	135,887
12,782,215	84,913	12,867,128
<u>(746,851)</u>	<u>746,851</u>	<u>0</u>
<u>12,035,364</u>	<u>831,764</u>	<u>12,867,128</u>
(1,790,330)	116,040	(1,674,290)
<u>33,059,666</u>	<u>6,822,225</u>	<u>39,881,891</u>
<u>\$ 31,269,336</u>	<u>\$ 6,938,265</u>	<u>\$ 38,207,601</u>

City of Broadview Heights, Ohio
Balance Sheet
Governmental Funds
December 31, 2004

	General	Fire Levy Fund	General Bond Retirement	OWDA Bond Retirement	Streets Capital Improvement
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,542,792	\$ 8,983	\$ 371,696	\$ 0	\$ 910,066
Cash in Segregated Accounts	0	0	0	1,164,881	0
Receivables:					
Accounts (Net of Allowance)	142,329	0	0	0	19,755
Interfund Receivable	0	0	0	0	61,196
Taxes (Net of Allowance)	3,024,246	1,670,315	52,197	0	409,362
Intergovernment	249,639	93,850	2,933	0	0
Special Assessments	0	0	6,092,887	1,758,595	0
<i>Total Assets</i>	<u>\$ 4,959,006</u>	<u>\$ 1,773,148</u>	<u>\$ 6,519,713</u>	<u>\$ 2,923,476</u>	<u>\$ 1,400,379</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 183,021	\$ 5,009	\$ 0	\$ 0	\$ 23,274
Contracts Payable	0	0	0	0	21,988
Intergovernmental Payable	189,572	101,351	0	0	0
Interfund Payable	0	50,000	0	0	0
Accrued Salaries, Wages and Benefits	199,744	54,361	0	0	0
Deferred Revenue	2,303,694	1,764,165	6,148,017	1,758,595	178,017
<i>Total Liabilities</i>	<u>2,876,031</u>	<u>1,974,886</u>	<u>6,148,017</u>	<u>1,758,595</u>	<u>223,279</u>
Fund Balances					
Reserved for Encumbrances	46,083	1,497	0	0	20,030
Unreserved:					
Undesignated, Reported In:					
General Fund	2,036,892	0	0	0	0
Special Revenue Funds	0	(203,235)	0	0	0
Debt Service Fund	0	0	371,696	1,164,881	0
Capital Projects Funds	0	0	0	0	1,157,070
<i>Total Fund Balances (Deficit)</i>	<u>2,082,975</u>	<u>(201,738)</u>	<u>371,696</u>	<u>1,164,881</u>	<u>1,177,100</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,959,006</u>	<u>\$ 1,773,148</u>	<u>\$ 6,519,713</u>	<u>\$ 2,923,476</u>	<u>\$ 1,400,379</u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$ 6,388,787
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 1,784,401	\$ 4,617,938	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,081,094
0	1,164,881		
53,797	215,881	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
162,000	223,196	Delinquent Property Taxes	\$ 133,042
432,781	5,588,901	Municipal Income Tax	835,966
297,547	643,969	Special Assessments	7,851,482
0	7,851,482	Intergovernmental	540,660
<u>\$ 2,730,526</u>	<u>\$ 20,306,248</u>		9,361,150
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(193,651)
\$ 18,070	\$ 229,374	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
17,000	38,988	General Obligation Bonds	(3,878,193)
99,045	389,968	Special Assessment Bonds	(5,413,428)
273,196	323,196	OWDA Bonds	(4,553,213)
19,861	273,966	Long Term Notes Payable	(573,675)
509,481	12,661,969	Compensated Absences Payable	(949,535)
<u>936,653</u>	<u>13,917,461</u>		(15,368,044)
185,989	253,599	<i>Net Assets of Governmental Activities</i>	<u>\$ 31,269,336</u>
0	2,036,892		
613,838	410,603		
0	1,536,577		
994,046	2,151,116		
<u>1,793,873</u>	<u>6,388,787</u>		
<u>\$ 2,730,526</u>	<u>\$ 20,306,248</u>		

City of Broadview Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2004

	General	Fire Levy Fund	General Bond Retirement	OWDA Bond Retirement	Streets Capital Improvement
Revenues					
Local Taxes	\$ 7,366,205	\$ 1,512,449	\$ 47,267	\$ 0	\$ 1,470,611
Intergovernmental Revenue	552,677	413,182	6,020	0	0
Fees, Licenses and Permits	1,983,852	0	0	0	584
Special Assessments	5,421	0	716,878	460,769	0
Charges for Services	589,184	0	0	0	0
Interest Income	17,830	2,180	7,257	15,477	13,854
Rentals	43,071	0	0	0	0
Gifts and Donations	740	0	0	0	0
Miscellaneous	366	12,363	0	0	0
<i>Total Revenues</i>	10,559,346	1,940,174	777,422	476,246	1,485,049
Expenditures					
Current:					
General Government	4,415,377	0	0	0	0
Security of Persons and Property	3,649,175	1,982,140	0	0	0
Public Health	49,498	0	0	0	0
Community Development	502,335	0	0	0	0
Transportation	666,577	0	0	0	0
Basic Utility	653,612	0	0	0	0
Leisure Time	301,665	0	0	0	0
Capital Outlay	0	0	0	0	1,205,411
Debt Service:					
Principal Retirement	116,500	0	705,864	438,924	0
Interest and Fiscal Charges	141,933	0	526,353	191,056	0
<i>Total Expenditures</i>	10,496,672	1,982,140	1,232,217	629,980	1,205,411
<i>Excess of Revenues Over (Under) Expenditures</i>	62,674	(41,966)	(454,795)	(153,734)	279,638
Other Financing Sources (Uses)					
Proceeds of Bonds	0	0	0	0	0
Proceeds of Notes	0	0	0	0	0
Transfers In	0	0	419,646	0	0
Transfers Out	(139,678)	0	0	0	(353,428)
<i>Total Other Financing Sources (Uses)</i>	(139,678)	0	419,646	0	(353,428)
<i>Net Change in Fund Balances</i>	(77,004)	(41,966)	(35,149)	(153,734)	(73,790)
<i>Fund Balances (Deficit) Beginning of Year (Restated)</i>	2,159,979	(159,772)	406,845	1,318,615	1,250,890
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ 2,082,975</u>	<u>\$ (201,738)</u>	<u>\$ 371,696</u>	<u>\$ 1,164,881</u>	<u>\$ 1,177,100</u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2004*

Other Governmental Funds	Total Governmental Funds		\$	(38,737)
		Net Change in Fund Balances - Total Governmental Funds		
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
\$ 967,640	\$ 11,364,172	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
1,104,874	2,076,753	Capital Asset Additions	\$ 1,402,013	
724,330	2,708,766	Current Year Depreciation	<u>(1,611,530)</u>	(209,517)
0	1,183,068	Net effect of transactions involving the disposal of capital assets are not reflected in the funds.		(2,590)
296,325	885,509	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds,		
3,297	59,895	Delinquent Property Taxes	(9,261)	
89,562	132,633	Municipal Income Tax	105,710	
0	740	Special Assessments	(1,177,647)	
37,505	50,234	Intergovernmental	<u>(56,249)</u>	(1,137,447)
3,223,533	18,461,770	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.		
		Proceeds from Bonds and Notes	(2,378,675)	
		Bond Principal	355,951	
		Special Assessment Bond principal	328,384	
		OWDA Principal	576,953	
		Note Principal	<u>1,718,000</u>	600,613
		In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		(193,651)
		Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.		
		Compensated Absences	(62,150)	
		Transfer to Business-Type Activities	<u>(746,851)</u>	(809,001)
		<i>Change in Net Assets of Governmental Activities</i>		<u>\$ (1,790,330)</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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local Taxes	\$ 6,666,207	\$ 7,324,536	\$ 7,293,235	\$ (31,301)
Intergovernmental Revenue	581,700	639,146	636,415	(2,731)
Fees, Licenses, and Permits	1,849,242	2,031,866	2,023,183	(8,683)
Special Assessments	7,169	7,877	7,843	(34)
Charges for Services	516,427	567,427	565,002	(2,425)
Interest Income	35,035	38,495	38,330	(165)
Rentals	39,368	43,256	43,071	(185)
Gifts and Donations	676	743	740	(3)
<i>Total Revenues</i>	<u>9,695,824</u>	<u>10,653,346</u>	<u>10,607,819</u>	<u>(45,527)</u>
Expenditures				
Current:				
General Government	4,393,001	4,498,681	4,448,538	50,143
Security of Persons and Property	3,603,263	3,667,139	3,655,726	11,413
Public Health	49,318	49,498	49,498	0
Community Development	499,689	502,130	501,737	393
Transportation	676,745	688,079	688,079	0
Basic Utility	626,655	628,947	628,947	0
Leisure Time	303,156	305,889	305,889	0
Debt Service:				
Principal Retirement	116,500	116,500	116,500	0
Interest and Fiscal Charges	141,933	141,933	141,933	0
<i>Total Expenditures</i>	<u>10,410,260</u>	<u>10,598,796</u>	<u>10,536,847</u>	<u>61,949</u>
<i>Net Change in Fund Balance</i>	(714,436)	54,550	70,972	16,422
<i>Fund Balance Beginning of Year</i>	1,309,573	1,309,573	1,309,573	0
Prior Year Encumbrances Appropriated	103,738	103,738	103,738	0
<i>Fund Balance End of Year</i>	<u>\$ 698,875</u>	<u>\$ 1,467,861</u>	<u>\$ 1,484,283</u>	<u>\$ 16,422</u>

See accompanying notes to the basic financial statements.

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Taxes	\$ 1,572,551	\$ 1,413,083	\$ 1,512,449	\$ 99,366
Intergovernmental Revenue	429,601	386,037	413,182	27,145
Interest Income	4,597	4,131	4,421	290
Miscellaneous	12,854	11,551	12,363	812
<i>Total Revenues</i>	<u>2,019,603</u>	<u>1,814,802</u>	<u>1,942,415</u>	<u>127,613</u>
Expenditures				
Security of Persons and Property	<u>1,984,939</u>	<u>1,976,719</u>	<u>1,974,997</u>	<u>1,722</u>
<i>Net Change in Fund Balance</i>	34,664	(161,917)	(32,582)	129,335
<i>Fund Balance Beginning of Year</i>	34,938	34,938	34,938	0
Prior Year Encumbrances Appropriated	<u>4,185</u>	<u>4,185</u>	<u>4,185</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 73,787</u>	<u>\$ (122,794)</u>	<u>\$ 6,541</u>	<u>\$ 129,335</u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio

Statement of Net Assets

Proprietary Funds

Decemer 31, 2004

	Business-Type Activities	
	Enterprise Fund	
	Sewer	
	Maintenance	
	<hr/>	
Assets		
<i>Current Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$	368,462
Receivables:		
Accounts (Net of Allowance)		235,044
Interfund Receivable		100,000
		<hr/>
<i>Total Current Assets</i>		703,506
Non Current Assets:		
Depreciable Capital Assets, Net of Depreciation		6,276,617
		<hr/>
<i>Total Non Current Assets</i>		6,276,617
		<hr/>
<i>Total Assets</i>		6,980,123
		<hr/>
Liabilities		
<i>Current Liabilities</i>		
Accounts Payable		1,473
Intergovernmental Payable		10,266
Accrued Salaries, Wages and Benefits		16,064
		<hr/>
<i>Total Current Liabilities</i>		27,803
<i>Long Term Liabilities</i>		
Compensated Absences		14,055
		<hr/>
<i>Total Long Term Liabilities</i>		14,055
		<hr/>
<i>Total Liabilities</i>		41,858
		<hr/>
Net Assets		
Invested in Capital Assets, Net of Related Debt		6,276,617
Unrestricted		661,648
		<hr/>
<i>Total Net Assets</i>	\$	6,938,265
		<hr/> <hr/>

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, 2004

	Business-Type Activities Enterprise Fund Sewer Maintenance
Operating Revenues	
Charges for Services	\$ 846,031
Other	84,913
	930,944
Operating Expenses	
Personal Services	352,836
Contractual Service	591,368
Depreciation	620,083
	1,564,287
<i>Operating Income (Loss)</i>	(633,343)
Non Operating Revenue	
Interest Income	2,532
	(630,811)
<i>Income (Loss) Before Capital Contributions</i>	(630,811)
Capital Contribution	746,851
	116,040
<i>Change in Net Assets</i>	116,040
<i>Net Assets at Beginning of Year</i>	6,822,225
<i>Net Assets and the End of the Year</i>	\$ 6,938,265

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, 2004

	Business-Type Activities Enterprise Fund Sewer Maintenance
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 909,883
Cash Paid for Goods and Services	(598,018)
Cash Paid to Employees	(338,479)
	(26,614)
Cash Flows From Investing Activities	
Interest on Investments	2,532
	2,532
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>(26,614)</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(24,082)</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>392,544</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$ 368,462</i>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (633,343)
Adjustments:	
Depreciation Expense	620,083
(Increase) Decrease in Assets:	
Accounts Receivable	(21,061)
Increase (Decrease) in Liabilities:	
Accounts Payable	(6,650)
Intergovernmental Payable	(399)
Accrued Salaries, Wages and Benefits	11,159
Compensated Absences	3,597
	606,729
<i>Total Adjustments</i>	<i>606,729</i>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<i>\$ (26,614)</i>

Noncash Capital Financing Activities

During 2004, the Sanitary Sewer fund received \$746,851 in capital contributions from another fund for the E. Sprague sanitary sewer.

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,033,815
Cash in Segregated Accounts	<u>48,629</u>
<i>Total Assets</i>	<u><u>\$ 1,082,444</u></u>
Liabilities	
Undistributed Monies	<u>\$ 1,082,444</u>
<i>Total Liabilities</i>	<u><u>\$ 1,082,444</u></u>

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, 2004

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, 2004

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, 2004

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 2021.

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.

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, 2004

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, 2004

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, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue 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, 2004

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 2004, 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, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$57,473, which includes \$971, 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.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City 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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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
Improvements	10 - 45 Years	10 - 45 Years
Furniture and Fixtures	10 - 15 Years	10 - 15 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 "interfund receivables/payables" 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. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 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. Net assets restricted for other purposes include recreation, street construction and repair and operation of the police and fire departments.

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 sewer services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital 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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 2004.

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 –Restatement of Prior Year Fund Equity

It was determined that certain pension obligations at December 31, 2003 should have been expensed in the funds. The effect on the fund balances at December 31, 2003 is as follows:

	General Fund	Fire Department Levy	General Obligation Debt	OWDA Debt	Streets Capital Improvement	Other Governmental	Total Fund Balances
Fund Balances,							
December 31, 2003	\$ 2,192,809	\$ (91,516)	\$ 406,845	\$ 1,318,615	\$ 1,250,890	\$ 1,527,678	\$ 6,605,321
Intergovernmental Payables	(32,830)	(68,256)	0	0	0	(76,711)	(177,797)
Restated Fund Balances							
December 31, 2003	<u>\$ 2,159,979</u>	<u>\$ (159,772)</u>	<u>\$ 406,845</u>	<u>\$ 1,318,615</u>	<u>\$ 1,250,890</u>	<u>\$ 1,450,967</u>	<u>\$ 6,427,524</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 4 – Fund Deficits

Fund balances/net assets at December 31, 2004 included the following individual fund deficits:

	Deficit	
	Fund Balance	Net Assets
Fire Levy Fund	\$ 201,738	\$ 194,827
Nonmajor Governmental Funds:		
Environmental Abatement	53,045	53,045
Police Pension	77,876	63,011

The deficits in these 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.

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;

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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).

Effective September 27, 1996, investments in stripped principal or interest obligations are no longer allowed to be purchased. Reverse repurchase agreements and derivatives are also 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."

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 \$611,742 and the bank balance was \$729,537. Of the bank balance:

1. \$150,216 of the bank balance was covered by depository insurance; and

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

2. \$579,321 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 2004, the City realized interest income in the OWDA accounts of \$13,055. 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 2004 was \$158,758. 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 and Fair Value
Government Securities	\$ 0	\$ 1,164,881	\$ 1,164,881
Federal National Mortgage Association	493,280	0	493,280
Federal Home Loan Bank	589,128	0	589,128
Federal Home Loan Mortgage Corporation	988,445	0	988,445
Federal Farm Credit Bank	493,280	0	493,280
	\$ 2,564,133	\$ 1,164,881	
Investment in State Treasurer's Investment Pool			2,892,444
			\$ 6,621,458

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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	\$ 7,233,725	\$ 0
Government Securities	(1,164,881)	1,164,881
Federal National Mortgage Association	(493,280)	493,280
Federal Home Loan Bank	(589,128)	589,128
Federal Home Loan Mortgage Corporation	(988,445)	988,445
Federal Farm Credit Bank	(493,280)	493,280
State Treasurer's Pool	(2,892,444)	2,892,444
Petty Cash	(525)	0
	\$ 611,742	\$ 6,621,458
GASB Statement No. 3	\$ 611,742	\$ 6,621,458

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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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.

	Net Change in Fund Balance	
	General Fund	Fire Department Levy Fund
GAAP Basis (as reported)	\$ (77,004)	\$ (41,966)
Adjustments:		
Revenue accruals	48,473	2,241
Expenditure accruals	188,490	10,189
Encumbrances	(88,987)	(3,046)
Budget basis	\$ 70,972	\$ (32,582)

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, 2004, consisted of the following:

Transfer Out	Transfer In		
	General Bond Retirement	Other Governmental Funds	Total
General Fund	\$ 0	\$ 139,678	\$ 139,678
Streets Capital Improvement	353,428	0	353,428
Other Governmental Funds	66,218	11,000	77,218
Total	\$ 419,646	\$ 150,678	\$ 570,324

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, 2004, all interfund payables outstanding are anticipated to be repaid in 2005.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Interfund obligations for the year ended December 31, 2004, consisted of the following:

Interfund Receivable	Interfund Payable		
	Fire Levy Fund	Other Governmental	Total
Streets Capital Improvement	\$ 0	\$ 61,196	\$ 61,196
Other Governmental	50,000	112,000	162,000
Sewer Maintenance	0	100,000	100,000
Total	\$ 50,000	\$ 273,196	\$ 323,196

Note 8 – Receivables

Receivables at December 31, 2004, consisted of taxes, special assessments, accounts (billings for user charged services), 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 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operation for the year ended December 31, 2004 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 \$6.34 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$6.96 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 and rollback reductions is reimbursed to the City by the State of Ohio. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Real Property	\$ 499,708,420	94.98%
Public Utility Tangible Property	9,353,260	1.78%
Tangible Personal Property	<u>17,040,482</u>	<u>3.24%</u>
Total	<u>\$ 526,102,162</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, 2004. 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 2004 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: 72.2% to the General Fund, 19% to the Streets Capital Improvement Fund and and 8.8% to other governmental funds.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Local Government	\$ 102,194
Charges for Services	45,973
Gasoline and Excise Tax	274,451
Permissive Tax	9,416
Estate Tax	18,987
Homestead/Rollback	<u>192,948</u>
Total	<u><u>\$ 643,969</u></u>

Taxes Receivables

A summary of taxes receivables follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate Tax	\$ 3,433,859
Municipal Income Tax	2,154,364
Hotel/Motel Tax	<u>678</u>
Total	<u><u>\$ 5,588,901</u></u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 9 – Capital Assets

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

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,165,450	\$ 0	\$ 0	\$ 1,165,450
Construction in Progress	1,951,639	22,094	(1,973,733)	0
Total Capital Assets, not being depreciated	3,117,089	22,094	(1,973,733)	1,165,450
<i>Capital Assets, being depreciated:</i>				
Buildings	6,258,069	0	0	6,258,069
Improvements	966,771	311,506	0	1,278,277
Furniture & Fixtures	34,642	0	0	34,642
Machinery & Equipment	1,238,136	67,824	(12,430)	1,293,530
Vehicles	2,929,915	216,220	(90,764)	3,055,371
Infrastructure				
Traffic Signals	312,338	109,222	0	421,560
Roads	16,812,319	981,907	0	17,794,226
Waterlines	10,480,883	234,754	0	10,715,637
Street Signs & Guard Rails	26,520	190	0	26,710
Storm Sewers	9,942,265	685,178	0	10,627,443
Total Capital Assets, being depreciated	49,001,858	2,606,801	(103,194)	51,505,465
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,029,846)	(126,161)	0	(1,156,007)
Improvements	(153,009)	(50,641)	0	(203,650)
Furniture & Fixtures	(14,343)	(2,566)	0	(16,909)
Machinery & Equipment	(631,075)	(88,996)	9,840	(710,231)
Vehicles	(1,810,628)	(293,544)	90,764	(2,013,408)
Infrastructure				
Traffic Signals	(199,807)	(22,693)	0	(222,500)
Roads	(8,248,574)	(491,530)	0	(8,740,104)
Waterlines	(4,075,933)	(180,090)	0	(4,256,023)
Street Signs & Guard Rails	(24,584)	(517)	0	(25,101)
Storm Sewers	(3,891,096)	(354,792)	0	(4,245,888)
Total Accumulated Depreciation	(20,078,895)	(1,611,530)	100,604	(21,589,821)
Total Capital Assets being depreciated, net	28,922,963	995,271	(2,590)	29,915,644
Governmental Activities Capital Assets, Net	\$ 32,040,052	\$ 1,017,365	\$ (1,976,323)	\$ 31,081,094

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04
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	13,373,642	746,851	0	14,120,493
Total Capital Assets, being depreciated	15,246,663	746,851	0	15,993,514
Less Accumulated Depreciation:				
Buildings	(519,757)	(28,421)	0	(548,178)
Machinery & Equipment	(448,524)	(8,265)	0	(456,789)
Vehicles	(212,604)	0	0	(212,604)
Infrastructure				
Sanitary Sewers	(7,915,929)	(583,397)	0	(8,499,326)
Total Accumulated Depreciation	(9,096,814)	(620,083)	0	(9,716,897)
Business-Type Activities Capital Assets, Net	\$ 6,149,849	\$ 126,768	\$ 0	\$ 6,276,617

Depreciation was charged as follows:

Governmental Funds:

General government	\$ 684,734
Security of persons and property	514,740
Community development	163,425
Leisure time activities	27,616
Transportation	221,015
	<u>\$ 1,611,530</u>

Proprietary Funds:

General government	<u>\$ 620,083</u>
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City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 stand-alone 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 2004. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS were \$601,111 for December 31, 2004 and \$530,338 and \$530,337 for years ended December 31, 2003 and 2002 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 2004 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 \$374,406 and \$260,791 for the year ending December 31, 2004, \$352,973 and \$250,801 for the year ended December 31, 2003, and \$331,106 and \$232,075 for the year ended December 31, 2002.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 service recipients is also available. The Ohio revised code provides statutory authority for employee and employer contributions to the System. For 2004, member and employer contribution rates were consistent for all three plans. For local government employer units, the rate was 13.55% of covered payroll; 4% was the portion that was used to fund health care for the year, which amounted to \$175,506. The public safety employer rate was 16.70% and 4% was used to fund health care for the year, which amounted to \$1,576.

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 \$26.9 billion and \$16.4 billion, respectively. As of December 31, 2003 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.5 billion. The number of statewide benefit recipients eligible for OPEB at December 31, 2003 was 369,885.

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 2004. 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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 2004 that were used to fund post-employment benefits were \$148,639 for police and \$84,235 for fire. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

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. One year of vacation eligibility may be carried over to the following year.

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	1/4 (240 hours)
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, 2004

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
2004 Various Improvement	2024	3.00% - 5.00%	300,000
Total			<u>\$ 6,599,671</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
2005	\$ 381,645	\$ 254,975	\$ 636,620
2006	398,345	237,279	635,624
2007	412,693	220,611	633,304
2008	431,893	203,484	635,377
2009	436,286	185,087	621,373
2010-2014	2,121,592	613,307	2,734,899
2015-2019	1,104,570	217,402	1,321,972
2020-2024	126,404	17,687	144,091
Total	<u>\$ 5,413,428</u>	<u>\$ 1,949,832</u>	<u>\$ 7,363,260</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 Various Improvement	2023	4.20% to 4.58%	1,304,000
2004 Street Improvement	2024	3.00% to 5.00%	505,000
Total			<u><u>\$ 7,193,855</u></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
2005	\$ 350,579	\$ 207,402	\$ 557,981
2006	316,801	184,631	501,432
2007	332,893	166,026	498,919
2008	349,100	146,435	495,535
2009	305,271	125,663	430,934
2010-2014	902,817	425,394	1,328,211
2015-2019	782,861	240,540	1,023,401
2020-2024	537,871	66,427	604,298
Total	<u><u>\$ 3,878,193</u></u>	<u><u>\$ 1,562,518</u></u>	<u><u>\$ 5,440,711</u></u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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
			\$ 8,609,724

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

Year Ending December 31,	OWDA Loans		
	Governmental Activities		
	Principal	Interest	Total
2005	\$ 625,638	\$ 252,096	\$ 877,734
2006	678,761	212,369	891,130
2007	736,746	169,092	905,838
2008	799,966	122,010	921,976
2009	169,324	70,530	239,854
2010-2014	958,663	240,614	1,199,277
2015-2019	557,079	72,852	629,931
2020	27,036	1,689	28,725
Total	\$ 4,553,213	\$ 1,141,252	\$ 5,694,465

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Loan Payable

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 \$637,417, 90% of which (\$573,675) is to be repaid at 0% interest over a period of 8 years and 10% was awarded as a grant.

Annual debt service requirements to maturity for the loan is as follows:

<u>Brownfield Cleanup Revolving Loan</u>	
<u>Year Ending December 31,</u>	<u>Governmental Activities Principal</u>
2005	\$ 35,856
2006	71,709
2007	71,709
2008	71,709
2009	71,709
2010-2013	<u>250,983</u>
Total	<u>\$ 573,675</u>

Changes in Long Term Liabilities

Long term liability activity for the year ended December 31, 2004 was as follows:

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
<i>Governmental Activities:</i>					
Notes payable					
Interest rate is 1.40%, due 12/16/04	\$ 718,000	\$ 0	\$ (718,000)	\$ 0	\$ 0
Interest rate is 2.00%, due 12/9/04	0	300,000	(300,000)	0	0
Interest rate is 2.00%, due 12/9/04	0	700,000	(700,000)	0	0
	<u>718,000</u>	<u>1,000,000</u>	<u>(1,718,000)</u>	<u>0</u>	<u>0</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
<i>General Obligation Bonds</i>					
Street Improvement (1988) 7.375% through 2008	53,790	0	(10,757)	43,033	10,758
Sewer Improvement (1989) 7.140% through 2009	46,903	0	(5,797)	41,106	5,797
Street Improvement (1989) 7.000% through 2009	14,280	0	(2,381)	11,899	2,380
Street Improvement (1991) 6.772 % through 2009	10,345	0	(1,045)	9,300	1,045
Sidewalk Improvements (1977) 5.250%	2,500	0	0	2,500	2,500
Broadview Center Improvement 4.961% through 2013	1,500,000	0	(115,000)	1,385,000	120,000
Various Purpose (1999) 4.50% - 5.65% through 2019	2,485,561	0	(102,371)	2,383,190	110,565
Service Building 4.20% through 2023	1,260,000	0	(115,000)	1,145,000	115,000
Street Improvements (2003) 4.58% through 2023	96,000	0	(3,600)	92,400 *	3,600
Building Improvements (2004) 4.50% - 5.65% through 2024	0	300,000	0	300,000	10,000
	<u>5,469,379</u>	<u>300,000</u>	<u>(355,951)</u>	<u>5,413,428</u>	<u>381,645</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 01/01/03	Additions	Reductions	Balance 12/31/03	Due Within One Year
<i>Special Assessment Bonds With City Commitment</i>					
Street Improvement (1985) 9.250% through 2005	90,000	0	(45,000)	45,000	45,000
Street Improvement (1988) 7.375% through 2008	246,210	0	(49,242)	196,968	49,242
Sewer Improvement (1989) 7.140% through 2009	398,097	0	(49,203)	348,894	49,203
Street Improvement (1989) 7.000% through 2009	255,718	0	(42,620)	213,098	42,620
Street Improvement (1990) 7.850% through 2009	80,000	0	(10,000)	70,000	10,000
Street Improvement (1991) 6.772 % through 2009	484,657	0	(48,955)	435,702	48,955
Sewer Improvement (1994) 5.500% through 2014	66,000	0	(6,000)	60,000 *	6,000
Sewer Improvement (1995) 6.383% through 2015	28,000	0	(2,000)	26,000	2,000
Various Purpose (1999) 4.50% - 5.65% through 2019	549,439	0	(22,629)	526,810	24,435
Sewer Improvement (2001) 6.1% through 2021	199,456	0	(6,335)	193,121 *	6,724
Street Improvement (2003) 4.20% through 2013	800,000	0	(30,000)	770,000	30,000
Street Improvement (2003) 4.20% through 2023	200,000	0	(5,000)	195,000	5,000
Sewer Improvement (2003) 4.20% through 2023	304,000	0	(11,400)	292,600 *	11,400
Street Improvement (2004) 3.00% - 5.00% through 2024	0	505,000	0	505,000	20,000
	<u>3,701,577</u>	<u>505,000</u>	<u>(328,384)</u>	<u>3,878,193</u>	<u>350,579</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
<i>OWDA Loans</i>					
Interest rates vary from 4.04% to 9.78%, due through 2021	5,130,166	0	(576,953)	4,553,213	579,342
<i>Brownfields Cleanup Revolving Loan</i>					
0% due 2015	0	573,675	0	573,675	35,856
Compensated Absences	887,385	871,968	(809,818)	949,535	42,628
Total Governmental Activities	<u>\$ 15,906,507</u>	<u>\$ 3,250,643</u>	<u>\$ (3,789,106)</u>	<u>\$ 15,368,044</u>	<u>\$ 1,390,050</u>
<i>Business-Type Activities</i>					
Compensated Absences	<u>\$ 10,458</u>	<u>\$ 5,803</u>	<u>\$ (2,206)</u>	<u>\$ 14,055</u>	<u>\$ 1,697</u>
Total Business-Type Activities	<u>\$ 10,458</u>	<u>\$ 5,803</u>	<u>\$ (2,206)</u>	<u>\$ 14,055</u>	<u>\$ 1,697</u>

* These debt issues are recorded in governmental funds to finance assets of the business-type activities. See notation on page 15 for a further description of the presentation on the statement of net assets.

Note 14 – Contractual Commitments

As of December 31, 2004, the City had contractual commitments for the following projects:

Vendor	Project	Contractual Commitment	Expended	Balance 12/31/04
DAS Construction	Park Maintenance Building	\$ 232,691	\$ 0	\$ 232,691
Site Electric, Inc.	Park Maintenance Building	39,515	0	39,515
Euthenics, Inc.	* Avery Road Engineering	110,936	107,540	3,396
Donald Bohning and Associates, Inc.	* Old Royalton Road	40,000	23,000	17,000
Quality Control Inspection	* Old Royalton Road	30,000	26,010	3,990
Wade-Trim	* Engineering Study	5,603	0	5,603
		<u>\$ 458,745</u>	<u>\$ 156,550</u>	<u>\$ 302,195</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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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.

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 2004, the City contributed \$4,500 for the Southwest Council of Governments annual dues. The City contributed \$3,000 in 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.

At December 31, 2004, the demolition has not taken place, however, the abatement project has been completed and \$573,675 has been drawn down from the revolving loan.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 11, 2005

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, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. 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 May 11, 2005.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter 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 May 11, 2005.

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.



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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
JULY 7, 2005**