

**CITY OF BROADVIEW HEIGHTS
CUYAHOGA COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

City Council
City of Broadview Heights
9543 Broadview Road- Bldg 7
Broadview Heights, OH 44147-2301

We have reviewed the *Independent Auditors Report* of the City of Broadview Heights, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 6, 2012

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**CITY OF BROADVIEW HEIGHTS
CUYAHOGA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To Members of the City Council
City of Broadview Heights

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, 2011, 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, Ohio's 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund and the Fire Levy Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and restated the December 31, 2010 fund balances/net assets due to a change in fund structure. In addition, the December 31, 2010 fund balances/net assets were restated due to the storm sewer utility and assessments receivable being recorded to the Sewer Maintenance Enterprise Fund instead of the Storm Sewer Governmental Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


James G. Zupka, CPA, Inc.
Certified Public Accountants

June 14, 2012

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

The discussion and analysis of the City of Broadview Heights' (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The City's net assets increased approximately \$1.3 million as a result of this year's operations. Net assets of our governmental activities increased by \$2.0 million, or 6% while business-type activities decreased by approximately \$.7 million, or 14%.
- The City had \$19.4 million in expenses related to governmental activities; \$5.6 million of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues (primarily taxes) of \$15.8 million were enough to cover expenses for an increase in net assets of \$2.0 million.
- The City's business-type activities had \$1.9 million in expenses offset by \$1.2 million in program revenues. The \$3,400 in general revenues were not adequate to provide for these programs.
- The general fund, the City's largest major fund, had revenues of \$11.6 million in 2011, a decrease of \$.5 million or 4% from 2010 revenues. The expenditures of the general fund totaled \$11.2 million in 2011, an increase of \$.9 million or 8% from 2010 expenditures.
- Capital assets of the governmental activities increased \$1.2 million through acquisitions exceeding depreciation. Business-type activities decreased \$.4 million from 2010. At the end of 2011, the City had \$.8 million in various improvement projects in progress.
- The City issued a capital lease in 2011 and retired \$1.2 million in bonds and loans.

The Statement of Net Assets and the Statement of Activities (on pages 13 and 14-15, respectively) 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 16. 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.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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 6. 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.

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 sewer maintenance 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 10. 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 three kinds of funds are governmental, proprietary and fiduciary, which use different accounting approaches.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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, fire levy fund, general bond retirement fund and streets capital improvement 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 16.

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 22.

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 account for proprietary funds.

The fiduciary fund financial statements begin on page 25.

Notes to the Basic 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 basic financial statements begin on page 27.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

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 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010
Assets						
Current and Other Assets	\$ 18,399,324	\$ 17,886,443	\$ 1,117,943	\$ 1,268,912	\$ 19,517,267	\$ 19,155,355
Capital Assets, Net	32,675,549	31,478,923	3,106,968	3,543,991	35,782,517	35,022,914
Total Assets	51,074,873	49,365,366	4,224,911	4,812,903	55,299,784	54,178,269
Liabilities						
Current and Other Liabilities	5,055,584	4,239,303	133,142	28,009	5,188,726	4,267,312
Long Term Liabilities						
Due Within One Year	1,698,476	1,642,808	5,150	6,773	1,703,626	1,649,581
Due in More than One Year	8,298,934	9,449,885	15,451	23,352	8,314,385	9,473,237
Total Liabilities	15,052,994	15,331,996	153,743	58,134	15,206,737	15,390,130
Net Assets						
Invested in Capital						
Assets Net of Debt	25,047,740	22,930,338	3,106,968	3,543,991	27,208,395	* 26,474,329
Restricted						
Other Purposes	673,132	532,934	0	0	673,132	532,934
Debt Service	4,265,876	4,903,467	0	0	4,265,876	4,903,467
Capital Projects	47,442	44,422	0	0	47,442	44,422
Unrestricted	5,987,689	5,622,209	964,200	1,210,778	7,898,202	* 6,832,987
Total Net Assets	\$ 36,021,879	\$ 34,033,370	\$ 4,071,168	\$ 4,754,769	\$ 40,093,047	\$ 38,788,139

* 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 12 for more information.

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The City's *combined* net assets changed from a year ago, *increasing* from \$38.8 million to \$40.1 million.

Net assets in the City's governmental activities increased by 6% (\$34.0 million compared to \$36.0 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 increased approximately \$.4 million. Net assets restricted for debt obligations decreased \$.6 million through principal retirement. The investments in capital assets, net of debt category increased by \$2.1 million.

Assets in the governmental activities increased \$1.7 million over 2010. Capital assets showed an increase of \$1.2 million through the completion of the Broadview North road construction project. Municipal income tax receivable increased \$.8 million over 2010. The Regional Income Tax Agency estimates receivables based on filed balances and estimates due at year end and projects this increase over 2010 as the economy continues its recovery from the most recent recession. Special assessments receivable decreased \$.6 million through repayments.

Liabilities decreased \$.3 million overall. Principal payments contributed to the \$1.1 million decrease in long-term obligations while contracts payable increased \$.3 million due to construction projects. Intergovernmental payable increased \$.4 million due to a payable for tax abatement.

Net assets in the City's business-type activities decreased by \$.7 million. The City can only use these net assets to finance the continuing operations of sanitary sewer maintenance. Assets in the business-type activities decreased \$.6 million from 2010 mainly from depreciation. Accounts payable increased over 2010 accounting for the increase in liabilities of \$.1 million.

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
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Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated		Restated	
	2011	2010	2011	2010	2011	2010
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 3,740,614	\$ 3,695,474	\$ 1,244,777	\$ 1,044,244	\$ 4,985,391	\$ 4,739,718
Operating Grants and Contributions	979,511	938,467	0	0	979,511	938,467
Capital Grants and Contributions	849,894	923,836	0	0	849,894	923,836
Total Program Revenues	5,570,019	5,557,777	1,244,777	1,044,244	6,814,796	6,602,021
<i>General Revenues:</i>						
City Income Taxes	10,762,777	8,327,837	0	0	10,762,777	8,327,837
Property Taxes	3,514,486	3,552,790	0	0	3,514,486	3,552,790
Hotel Tax	392	3,333	0	0	392	3,333
Grants and Contributions	1,307,707	1,501,493	0	0	1,307,707	1,501,493
Interest and Investment Earnings	9,825	2,284	908	460	10,733	2,744
Other	197,370	916,938	2,476	19,985	199,846	936,923
Total General Revenues	15,792,557	14,304,675	3,384	20,445	15,795,941	14,325,120
Total Revenues	21,362,576	19,862,452	1,248,161	1,064,689	22,610,737	20,927,141
Program Expenses						
General Government	5,678,737	5,022,400	0	0	5,678,737	5,022,400
Security of Persons and Property	7,311,500	6,854,355	0	0	7,311,500	6,854,355
Public Health	288,004	285,220	0	0	288,004	285,220
Community Development	478,970	441,120	0	0	478,970	441,120
Transportation	3,164,429	3,181,851	0	0	3,164,429	3,181,851
Basic Utility	836,375	934,767	0	0	836,375	934,767
Leisure Time Activities	1,191,015	998,317	0	0	1,191,015	998,317
Interest on Long Term Debt	425,037	480,117	0	0	425,037	480,117
Sewer Maintenance	0	0	1,931,762	1,852,323	1,931,762	1,852,323
Total Expenses	19,374,067	18,198,147	1,931,762	1,852,323	21,305,829	20,050,470
Increase (Decrease) in Net Assets	\$ 1,988,509	\$ 1,664,305	\$ (683,601)	\$ (787,634)	\$ 1,304,908	\$ 876,671

Governmental Activities

Governmental activities increased the City's net assets by \$2.0 million, or 6%. Total revenues increased \$1.5 million over 2010. The City received \$.3 million in income tax from a lottery winner in 2011 and along with the recovering economy, accounts for an increase of \$2.4 million over 2010. The City sold an easement which was recorded in other revenue in 2010 which caused a decrease in other revenues of \$.7 million for 2011.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
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Revenues provided by specific programs include charges for services which are 18% of all governmental revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 9% in 2011.

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 fire levy fund, the safety equipment fund, the service equipment fund, the fire equipment fund, the streets capital improvement fund and the storm sewer maintenance fund. Income taxes account for 50% of the total revenue of the governmental activities.

Another major component of general revenue is property taxes, which amounted to 16% of total revenues. Grants and contributions and other revenue make up the remaining 7% of governmental activities revenues.

Expenses in the governmental activities increased \$1.2 million over 2010 in general as operating costs and salaries and benefits increased.

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

	2011		Restated 2010	
	Total Cost	Net Cost	Total Cost	Net Cost
General Government	\$ 5,678,737	\$ 3,051,512	\$ 5,022,400	\$ 2,675,127
Security of Persons and Property	7,311,500	6,873,837	6,854,355	6,274,459
Public Health	288,004	288,004	285,220	285,220
Community Development	478,970	475,820	441,120	437,670
Transportation	3,164,429	1,527,124	3,181,851	1,387,554
Basic Utility	836,375	836,375	934,767	934,767
Leisure Time	1,191,015	334,694	998,317	166,234
Interest and Fiscal Charges	425,037	416,682	480,117	479,339
<i>Total Expenses</i>	<u>\$ 19,374,067</u>	<u>\$ 13,804,048</u>	<u>\$ 18,198,147</u>	<u>\$ 12,640,370</u>

The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. The net cost remained fairly consistent with 2010.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Business-Type Activities

The City's only enterprise fund is the sewer maintenance fund. For a description of this fund, see accompanying Notes to the Basic Financial Statements.

The sewer maintenance net assets decreased by \$.7 million, compared to the \$.8 million decrease in 2010 from 2009. There was a \$.2 million increase in charges for services over 2010, however, expenses increased nearly \$80,000 from 2010.

The City's Funds

Governmental Funds

Information about the City's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$20.6 million and expenditures of \$21.6 million. Other financing sources and uses totaled \$.2 million in 2011.

General fund revenues exceeded expenditures at year end increasing the fund balance approximately \$.4 million in 2011. The City sold an easement for \$.9 million in 2010 contributing to a decrease of \$.5 million in revenues for 2011 and expenditures increased \$.9 million mainly in general government expenditures from tax abatement due to other governments.

The fire levy fund balance decreased by approximately \$69,000 and the general bond retirement fund decreased by \$25,000 with no individually significant item accounting for these decreases. The streets capital improvement fund had a decrease of \$.8 million in fund balance partially due to an increase in expenditures for road projects of nearly \$1 million over 2010.

Proprietary Funds

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

Information about the City's major proprietary fund begins on page 22.

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 object level. Any budgetary modifications at this level may only be made by resolution of City Council.

City of Broadview Heights
Cuyahoga County, Ohio
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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.

The general fund actual and final budgeted revenue was \$.6 million more than original budgeted revenue. There was no individually significant item accounting for the difference. Actual expenditures were \$20,000 less than final budgeted expenditures and \$44,000 more than original budgeted expenditures. No individually significant line items contributed to these differences.

Capital Asset and Debt Administration

Capital Assets

At the end of 2011, the City had approximately \$35.8 million invested in a broad range of capital assets, including police and fire equipment, land, easement, construction in progress, buildings, improvements, park facilities, roads, bridges, and water and sewer lines (see below). Table 4 shows fiscal year 2011 balances compared with 2010.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,432,579	\$ 3,334,193	\$ 0	\$ 0	\$ 3,432,579	\$ 3,334,193
Intangibles	22,142	0	0	0	22,142	0
Construction in Progress	770,799	699,609	15,775	0	786,574	699,609
Buildings	4,141,909	4,270,490	380,413	408,802	4,522,322	4,679,292
Improvements	2,780,912	2,962,555	0	0	2,780,912	2,962,555
Furniture and Fixtures	4,774	5,672	0	0	4,774	5,672
Machinery and Equipment	572,406	499,839	65,692	54,932	638,098	554,771
Vehicles	645,681	557,691	2,806	5,613	648,487	563,304
Infrastructure	20,304,347	19,148,874	2,642,282	3,074,644	22,946,629	22,223,518
Totals	\$ 32,675,549	\$ 31,478,923	\$ 3,106,968	\$ 3,543,991	\$ 35,782,517	\$ 35,022,914

Acquisitions exceeded depreciation expense in 2011, resulting in a net increase of \$.8 million from 2010. In 2011, the City had construction in progress for storm sewers, retention basins, a baseball diamond and window and HVAC upgrades.

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

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Debt

At December 31, 2011, the City had \$7.1 million in bonds, \$1.2 million in OWDA loans and \$.3 million in OPWC and Brownfield Cleanup Revolving loans.

Table 5
Outstanding Debt
December 31, 2011

	Governmental Activities	
	2011	2010
General Obligation Bonds	\$ 4,823,164	\$ 5,517,388
Special Assessment Bonds	2,255,615	2,484,040
Loans Payable	257,565	349,274
OWDA Loans	1,201,183	1,382,487
Totals	\$ 8,537,527	\$ 9,733,189

At December 31, 2011, the City had outstanding long-term debt obligations in the amount of \$8.5 million, down \$1.2 million from 2010. This represents a 12.3% decrease through principal payments for the governmental activities.

The City's rating with Moody's Investor Service is currently Aa2.

Other obligations include capital leases and 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 (Note 12).

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 the Director of Finance, 9543 Broadview Road, Bldg 7, Broadview Heights, Ohio 44147.

City of Broadview Heights, Ohio

Statement of Net Assets

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 6,432,243	\$ 230,006	\$ 6,662,249
Receivables:			
Accounts	764,437	447,507	1,211,944
Taxes	6,379,642	0	6,379,642
Intergovernmental	1,266,217	0	1,266,217
Special Assessments	3,499,221	440,430	3,939,651
Inventory of Supplies	57,564	0	57,564
Noncurrent Assets:			
Land and Construction in Progress	4,225,520	15,775	4,241,295
Depreciable Capital Assets, Net of Depreciation	28,450,029	3,091,193	31,541,222
<i>Total Assets</i>	<u>51,074,873</u>	<u>4,224,911</u>	<u>55,299,784</u>
Liabilities			
Accounts Payable	206,540	113,607	320,147
Contracts Payable	400,604	0	400,604
Intergovernmental Payable	835,181	13,803	848,984
Accrued Salaries, Wages and Benefits	153,935	5,732	159,667
Deferred Revenue	3,410,717	0	3,410,717
Accrued Interest	48,607	0	48,607
Non Current Liabilities:			
Due Within One Year	1,698,476	5,150	1,703,626
Due In More Than One Year	8,298,934	15,451	8,314,385
<i>Total Liabilities</i>	<u>15,052,994</u>	<u>153,743</u>	<u>15,206,737</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	25,047,740	3,106,968	27,208,395
Restricted for:			
Other Purposes	673,132	0	673,132
Debt Service	4,265,876	0	4,265,876
Capital Projects	47,442	0	47,442
Unrestricted	5,987,689	964,200	7,898,202
<i>Total Net Assets</i>	<u>\$ 36,021,879</u>	<u>\$ 4,071,168</u>	<u>\$ 40,093,047</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 12.

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 5,678,737	\$ 2,323,905	\$ 166,045	\$ 137,275
Security of Persons and Property	7,311,500	413,653	24,010	0
Public Health	288,004	0	0	0
Community Development	478,970	3,150	0	0
Transportation	3,164,429	143,585	789,456	704,264
Basic Utility	836,375	0	0	0
Leisure Time	1,191,015	856,321	0	0
Interest and Fiscal Charges	425,037	0	0	8,355
<i>Total Governmental Activities</i>	<u>19,374,067</u>	<u>3,740,614</u>	<u>979,511</u>	<u>849,894</u>
Business-Type Activities				
Sewer	1,931,762	1,244,777	0	0
<i>Total Business-Type Activities</i>	<u>1,931,762</u>	<u>1,244,777</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$ 21,305,829</u>	<u>\$ 4,985,391</u>	<u>\$ 979,511</u>	<u>\$ 849,894</u>

General Revenues

Municipal Income Tax Levied For:
General Purposes
Capital Outlay
Other Purposes
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
Other

Total General Revenues

Change in Net Assets

Net Assets, Beginning of Year
(Restated, See Note 2)

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
\$ (3,051,512)	\$ 0	\$ (3,051,512)
(6,873,837)	0	(6,873,837)
(288,004)	0	(288,004)
(475,820)	0	(475,820)
(1,527,124)	0	(1,527,124)
(836,375)	0	(836,375)
(334,694)	0	(334,694)
(416,682)	0	(416,682)
<u>(13,804,048)</u>	<u>0</u>	<u>(13,804,048)</u>
<u>0</u>	<u>(686,985)</u>	<u>(686,985)</u>
<u>0</u>	<u>(686,985)</u>	<u>(686,985)</u>
<u>(13,804,048)</u>	<u>(686,985)</u>	<u>(14,491,033)</u>
8,231,239	0	8,231,239
1,961,108	0	1,961,108
570,430	0	570,430
1,470,931	0	1,470,931
1,988,882	0	1,988,882
54,673	0	54,673
392	0	392
1,307,707	0	1,307,707
9,825	908	10,733
<u>197,370</u>	<u>2,476</u>	<u>199,846</u>
15,792,557	3,384	15,795,941
1,988,509	(683,601)	1,304,908
<u>34,033,370</u>	<u>4,754,769</u>	<u>38,788,139</u>
<u>\$ 36,021,879</u>	<u>\$ 4,071,168</u>	<u>\$ 40,093,047</u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Balance Sheet
Governmental Funds
December 31, 2011

	General	Fire Levy	General Bond Retirement	Streets Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 2,991,267	\$ 136,933	\$ 800,936	\$ 294,184	\$ 2,208,923	\$ 6,432,243
Receivables:						
Accounts	277,760	20,862	0	30,139	435,676	764,437
Taxes	3,661,299	1,836,094	55,628	419,913	406,708	6,379,642
Intergovernmental	495,537	121,432	3,795	235,275	410,178	1,266,217
Special Assessments	40,715	0	3,458,506	0	0	3,499,221
Inventory of Supplies	0	0	0	0	57,564	57,564
Advances to Other Funds	0	0	0	0	112,000	112,000
<i>Total Assets</i>	<u>\$ 7,466,578</u>	<u>\$ 2,115,321</u>	<u>\$ 4,318,865</u>	<u>\$ 979,511</u>	<u>\$ 3,631,049</u>	<u>\$ 18,511,324</u>
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 169,537	\$ 4,557	\$ 0	\$ 0	\$ 32,446	\$ 206,540
Contracts Payable	0	0	0	199,239	201,365	400,604
Intergovernmental Payable	610,639	129,787	0	0	94,755	835,181
Accrued Salaries, Wages and Benefits	92,222	37,954	0	0	23,759	153,935
Deferred Revenue	2,875,987	1,926,231	3,517,929	382,033	767,074	9,469,254
Advances From Other Funds	0	0	0	0	112,000	112,000
<i>Total Liabilities</i>	<u>3,748,385</u>	<u>2,098,529</u>	<u>3,517,929</u>	<u>581,272</u>	<u>1,231,399</u>	<u>11,177,514</u>
Fund Balances						
Nonspendable	2,685	0	0	0	57,564	60,249
Restricted	0	16,792	800,936	0	402,490	1,220,218
Committed	0	0	0	398,239	2,125,113	2,523,352
Assigned	184,901	0	0	0	0	184,901
Unassigned (Deficit)	3,530,607	0	0	0	(185,517)	3,345,090
<i>Total Fund Balances (Deficit)</i>	<u>3,718,193</u>	<u>16,792</u>	<u>800,936</u>	<u>398,239</u>	<u>2,399,650</u>	<u>7,333,810</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,466,578</u>	<u>\$ 2,115,321</u>	<u>\$ 4,318,865</u>	<u>\$ 979,511</u>	<u>\$ 3,631,049</u>	<u>\$ 18,511,324</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, 2011*

Total Governmental Fund Balances	\$	7,333,810
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		32,675,549
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$ 169,504	
Municipal Income Tax	1,196,217	
Special Assessments	3,499,221	
Intergovernmental	1,013,157	
Charges for Services	180,438	6,058,537
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(48,607)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(4,823,164)	
Special Assessment Bonds	(2,255,615)	
Long Term Loans Payable	(1,458,748)	
Capital Lease	(144,160)	
Compensated Absences Payable	(1,315,723)	(9,997,410)
 <i>Net Assets of Governmental Activities</i>	 \$	 <u><u>36,021,879</u></u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2011

	General	Fire Levy	General Bond Retirement	Streets Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Taxes	\$ 8,867,233	\$ 1,867,483	\$ 54,783	\$ 1,569,425	\$ 880,313	\$ 13,239,237
Intergovernmental Revenue	795,134	256,665	9,528	448,347	1,137,729	2,647,403
Fees, Licenses and Permits	862,363	0	0	0	205,433	1,067,796
Fines and Forfeitures	287,075	0	0	0	117,467	404,542
Special Assessments	38,115	0	548,741	0	0	586,856
Charges for Services	552,327	306,001	0	0	1,436,248	2,294,576
Interest Income	9,825	1,219	0	2,600	3,633	17,277
Rentals	137,507	0	0	0	64,056	201,563
Gifts and Donations	14,438	0	0	0	0	14,438
Miscellaneous	28,701	10,606	0	50,000	17,056	106,363
<i>Total Revenues</i>	11,592,718	2,441,974	613,052	2,070,372	3,861,935	20,580,051
Expenditures						
Current:						
General Government	4,670,557	0	0	0	13,226	4,683,783
Security of Persons and Property	3,877,379	2,510,493	0	0	376,959	6,764,831
Public Health	288,004	0	0	0	0	288,004
Community Development	372,237	0	0	0	0	372,237
Transportation	467,968	0	0	0	895,570	1,363,538
Basic Utility	836,375	0	0	0	0	836,375
Leisure Time	185,921	0	0	0	835,303	1,021,224
Capital Outlay	0	0	0	2,497,868	2,192,948	4,690,816
Debt Service:						
Principal Retirement	330,000	0	845,662	20,000	0	1,195,662
Interest and Fiscal Charges	163,103	0	269,066	0	0	432,169
<i>Total Expenditures</i>	11,191,544	2,510,493	1,114,728	2,517,868	4,314,006	21,648,639
<i>Excess of Revenues Over (Under) Expenditures</i>	401,174	(68,519)	(501,676)	(447,496)	(452,071)	(1,068,588)
Other Financing Sources (Uses)						
Inception of Capital Lease	0	0	0	0	144,160	144,160
Proceeds from Sale of Capital Assets	0	0	0	0	28,245	28,245
Transfers In	0	0	476,824	0	42,599	519,423
Transfers Out	(42,599)	0	0	(346,365)	(130,459)	(519,423)
<i>Total Other Financing Sources (Uses)</i>	(42,599)	0	476,824	(346,365)	84,545	172,405
<i>Net Change in Fund Balances</i>	358,575	(68,519)	(24,852)	(793,861)	(367,526)	(896,183)
<i>Fund Balances, Beginning of Year</i> <i>(Restated, See Note 2)</i>	3,359,618	85,311	825,788	1,192,100	2,767,176	8,229,993
<i>Fund Balances, (Deficit) End of Year</i>	\$ 3,718,193	\$ 16,792	\$ 800,936	\$ 398,239	\$ 2,399,650	\$ 7,333,810

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, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	(896,183)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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 capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 3,490,661	
Current Year Depreciation	<u>(2,271,091)</u>	1,219,570
 Net effect of transactions involving the disposal of capital assets are not reflected in the funds.		
		(22,944)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds,		
Delinquent Property Taxes	(6,906)	
Municipal Income Tax	1,045,324	
Special Assessments	(609,434)	
Intergovernmental	272,918	
Charges for Services	<u>(116,251)</u>	585,651
 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, and reduces long-term liabilities in the statement of net assets.		
Bond Principal	694,224	
Special Assessment Bond principal	228,425	
OWDA Principal	181,304	
Loan Principal	91,709	
Capital Leases	<u>(144,160)</u>	1,051,502
 In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
		7,132
 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		<u>43,781</u>
 <i>Change in Net Assets of Governmental Activities</i>		 <u><u>\$ 1,988,509</u></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
 General Fund
 For the Fiscal Year Ended December 31, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 8,820,131	\$ 9,032,001	\$ 9,032,001	\$ 0
Intergovernmental Revenue	699,842	799,842	799,842	0
Fees, Licenses, and Permits	802,190	917,425	917,425	0
Fines and Forfeitures	276,506	276,506	276,506	0
Special Assessments	35,739	38,115	38,115	0
Charges for Services	309,226	422,433	422,433	0
Interest Income	9,825	9,825	9,825	0
Rentals	89,321	139,321	139,321	0
Gifts and Donations	1,100	14,438	14,438	0
Miscellaneous	5,255	32,989	32,989	0
<i>Total Revenues</i>	11,049,135	11,682,895	11,682,895	0
Expenditures				
Current:				
General Government	4,179,445	4,387,385	4,377,520	9,865
Security of Persons and Property	4,146,331	3,897,968	3,889,437	8,531
Public Health	330,278	288,113	287,948	165
Community Development	360,211	371,589	371,566	23
Transportation	397,284	483,977	483,761	216
Basic Utility	943,000	976,139	975,797	342
Leisure Time	190,704	205,943	205,012	931
Debt Service:				
Principal Retirement	330,000	330,000	330,000	0
Interest and Fiscal Charges	163,103	163,103	163,103	0
<i>Total Expenditures</i>	11,040,356	11,104,217	11,084,144	20,073
<i>Excess of Revenues Over (Under) Expenditures</i>	8,779	578,678	598,751	20,073
Other Financing Sources (Uses)				
Transfers Out	(7,000)	(42,599)	(42,599)	0
<i>Total Other Financing Sources (Uses)</i>	(7,000)	(42,599)	(42,599)	0
<i>Net Change in Fund Balance</i>	1,779	536,079	556,152	20,073
<i>Fund Balance, Beginning of Year</i>	2,004,236	2,004,236	2,004,236	0
Prior Year Encumbrances Appropriated	117,910	117,910	117,910	0
<i>Fund Balance, End of Year</i>	\$ 2,123,925	\$ 2,658,225	\$ 2,678,298	\$ 20,073

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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 1,852,066	\$ 1,852,066	\$ 1,852,066	\$ 0
Intergovernmental Revenue	256,665	256,665	256,665	0
Charges for Services	334,674	305,370	305,370	0
Interest Income	1,219	1,219	1,219	0
Miscellaneous	10,606	10,606	10,606	0
<i>Total Revenues</i>	2,455,230	2,425,926	2,425,926	0
Expenditures				
Current:				
Security of Persons and Property	2,527,461	2,521,170	2,519,843	1,327
<i>Total Expenditures</i>	2,527,461	2,521,170	2,519,843	1,327
<i>Net Change in Fund Balance</i>	(72,231)	(95,244)	(93,917)	1,327
<i>Fund Balance, Beginning of Year</i>	198,557	198,557	198,557	0
Prior Year Encumbrances Appropriated	12,614	12,614	12,614	0
<i>Fund Balance, (Deficit) End of Year</i>	\$ 138,940	\$ 115,927	\$ 117,254	\$ 1,327

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Fund Net Assets
Proprietary Fund
December 31, 2011

	Business-Type Activities
	Enterprise Fund
	Sewer
	Maintenance
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 230,006
Receivables:	
Accounts	447,507
Special Assessments	440,430
<i>Total Current Assets</i>	1,117,943
<i>Non Current Assets:</i>	
Depreciable Capital Assets, Net of Depreciation	3,106,968
<i>Total Non Current Assets</i>	3,106,968
<i>Total Assets</i>	4,224,911
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	113,607
Intergovernmental Payable	13,803
Accrued Salaries, Wages and Benefits	5,732
Compensated Absences - Current Portion	5,150
<i>Total Current Liabilities</i>	138,292
<i>Long Term Liabilities</i>	
Compensated Absences	15,451
<i>Total Long Term Liabilities</i>	15,451
<i>Total Liabilities</i>	153,743
Net Assets	
Invested in Capital Assets	3,106,968
Unrestricted	964,200
<i>Total Net Assets</i>	\$ 4,071,168

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended December 31, 2011

	Business-Type Activities Enterprise Fund Sewer Maintenance
Operating Revenues	
Charges for Services	\$ 1,244,777
Other	2,476
<i>Total Operating Revenues</i>	1,247,253
Operating Expenses	
Personal Services	486,035
Contractual Service	837,408
Materials and Supplies	75,576
Depreciation	474,023
Other	58,720
<i>Total Operating Expenses</i>	1,931,762
<i>Operating Income (Loss)</i>	(684,509)
Non-Operating Revenues (Expenses)	
Interest Income	908
<i>Change in Net Assets</i>	(683,601)
<i>Net Assets at Beginning of Year (Restated, See Note 2)</i>	4,754,769
<i>Net Assets at the End of the Year</i>	\$ 4,071,168

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended December 31, 2011

	Business-Type Activities Enterprise Fund Sewer Maintenance
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 1,355,323
Cash Paid for Goods and Services	(864,332)
Cash Paid to Employees	(492,373)
Other Operating Revenue	2,476
<i>Net Cash Provided By (Used For) Operating Activities</i>	1,094
Cash Flows From Investing Activities	
Interest on Investments	908
<i>Net Cash Provided By (Used For) Investing Activities</i>	908
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(37,000)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(37,000)
<i>Net Increase (Decrease) in Cash and Investments</i>	(34,998)
<i>Cash and Cash Equivalents at Beginning of Year</i>	265,004
<i>Cash and Cash Equivalents at End of Year</i>	\$ 230,006
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (684,509)
Adjustments:	
Depreciation Expense	474,023
(Increase) Decrease in Assets:	
Accounts Receivable	71,224
Special Assessments Receivable	39,322
Intergovernmental Receivable	5,425
Increase (Decrease) in Liabilities:	
Accounts Payable	101,947
Intergovernmental Payable	1,840
Accrued Salaries, Wages and Benefits	1,346
Compensated Absences	(9,524)
<i>Total Adjustments</i>	685,603
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 1,094

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2011

Assets	
Equity in Pooled Cash and Investments	\$ 532,652
Cash in Segregated Accounts	<u>57,444</u>
<i>Total Assets</i>	<u><u>\$ 590,096</u></u>
Liabilities	
Undistributed Monies	<u>\$ 590,096</u>
<i>Total Liabilities</i>	<u><u>\$ 590,096</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, 2011

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) 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 applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

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, 2011

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, 2011

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.

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 to which the City is bound to observe constraints imposed upon the use of the resources.

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 has no trust funds. The City's agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The City's agency fund accounts for deposits and retainers held for contractors and developers.

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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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, 2011, but which were levied to finance year 2012 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.

Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated, however, only governmental funds are required to be reported. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director of Finance. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2011.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

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, 2011

Cash and Investments

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

The City has segregated a portion of cash balances, reported as "Cash in segregated accounts" which are used for the payment of agency fund activities.

During 2011, investments were limited to Federal National Mortgage Association Notes.

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.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2011 amounted to \$9,825, which includes \$4,867 assigned from other City funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are presented on the financial statements as "cash". Investments with an original maturity of more than three months are reported as "investments".

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.

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 and construction in progress are required to be depreciated using a depreciation method (specifically the straight line method) over the following useful lives:

City of Broadview Heights, Ohio
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For the Year Ended December 31, 2011

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Construction in Progress	N/A	N/A
Buildings	10 - 50 Years	10 - 50 Years
Improvements	10 - 50 Years	N/A
Furniture and Fixtures	10 - 20 Years	N/A
Machinery and Equipment	10 - 15 Years	10 - 15 Years
Vehicles	6 - 15 Years	6 - 15 Years
Infrastructure	10 - 50 Years	10 - 50 Years

Interfund Balances

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

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However,

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
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claims and judgments and compensated absences 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

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City Council.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City reported no significant net asset balances restricted by enabling legislation. 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. All revenue and expenses not meeting these definitions are classified as nonoperating.

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. In 2011, governmental activities received \$18,042 in capital contributions from an outside source.

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 2011.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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.

Changes in Accounting Principles

On January 1, 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

Restatement of Fund Balances/Net Assets

On January 1, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. As a result, the unclaimed monies fund, previously recorded as an agency fund was reclassified to the general fund for GAAP reporting purposes.

The storm sewer utility and assessments receivable should have been recorded to the storm sewer governmental fund instead of the sewer maintenance enterprise fund in the prior year. The receivable and applicable deferred revenue will be restated.

The following is the effect of those changes in fund balance:

	General Fund	Fire Levy Fund	General Bond Retirement Fund	Streets Capital Improvement Fund	Other Governmental Funds	Total
Fund Balance, December 31, 2010	\$ 3,356,959	\$ 85,311	\$ 825,788	\$ 1,192,100	\$ 2,625,498	\$ 8,085,656
Fund Reclassification	2,659	0	0	0	0	2,659
Receivables Adjustment	9,220	0	(72,271)	0	269,018	205,967
Deferred Revenue Adjustment	(9,220)	0	72,271	0	(127,340)	(64,289)
Restated Fund Balance, January 1, 2011	<u>\$ 3,359,618</u>	<u>\$ 85,311</u>	<u>\$ 825,788</u>	<u>\$ 1,192,100</u>	<u>\$ 2,767,176</u>	<u>\$ 8,229,993</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The following is the effect of those changes in net assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets December 31, 2010	\$ 33,824,744	\$ 4,960,736
Fund Reclassification	2,659	0
Receivables Adjustment	<u>205,967</u>	<u>(205,967)</u>
Restated Net Assets		
January 1, 2011	<u>\$ 34,033,370</u>	<u>\$ 4,754,769</u>

The following is the effect of those changes in agency fund assets and liabilities:

	<u>Agency Fund Total</u>
Assets and Liabilities	
December 31, 2010	\$ 583,897
Fund Reclassification	<u>(2,659)</u>
Restated Assets and Liabilities	
January 1, 2011	<u>\$ 581,238</u>

Note 3 – Fund Deficits

Fund balances at December 31, 2011 included the following individual fund deficits:

	<u>Fund Deficit</u>
Nonmajor Governmental Funds:	
Circle Building Fund	\$ 110,553
Police Pension	74,964

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 4 – Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General Fund	Fire Levy Fund	General Bond Retirement Fund	Streets Capital Improvement Fund	Other Governmental Funds	Total
Nonspendable for:						
Unclaimed Monies	\$ 2,685	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,685
Inventory	0	0	0	0	57,564	57,564
Total Nonspendable	2,685	0	0	0	57,564	60,249
Restricted for:						
Fire Department	0	16,792	0	0	0	16,792
Law Enforcement	0	0	0	0	164,515	164,515
Drug and Alcohol Programs/Enforcement	0	0	0	0	29,684	29,684
Road Repair and Improvement	0	0	0	0	143,129	143,129
Court Operations and Capital Outlay	0	0	0	0	47,442	47,442
Construction and Improvement of City Facilities	0	0	0	0	17,165	17,165
Bond Retirement	0	0	800,936	0	0	800,936
Other Purposes	0	0	0	0	555	555
Total Restricted	0	16,792	800,936	0	402,490	1,220,218
Committed to:						
City Facility Improvement	0	0	0	0	453,575	453,575
Fire and Safety Equipment	0	0	0	0	687,129	687,129
Recreation	0	0	0	0	38,556	38,556
Service Department Equipment	0	0	0	0	183,556	183,556
Street Improvement	0	0	0	398,239	0	398,239
Storm Sewer Improvement	0	0	0	0	669,667	669,667
Tree Planting and Maintenance	0	0	0	0	92,030	92,030
Other Purposes	0	0	0	0	600	600
Total Committed	0	0	0	398,239	2,125,113	2,523,352
Assigned for:						
Encumbrances	184,901	0	0	0	0	184,901
Total Assigned	184,901	0	0	0	0	184,901
Unassigned (Deficit)	3,530,607	0	0	0	(185,517)	3,345,090
Total Fund Balance (Deficit)	\$ 3,718,193	\$ 16,792	\$ 800,936	\$ 398,239	\$ 2,399,650	\$ 7,333,810

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
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7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Cash on Hand: At year end, the City had \$526 in undeposited cash on hand which is included on the statement of net assets and balance sheet of the City as part of equity in pooled cash and cash equivalents.

Deposits: The carrying value of the City's deposits totaled \$5,251,819 and the bank balances of the deposits totaled \$5,470,424. Of the bank balance \$1,845,985 was covered by depository insurance; and \$3,624,439 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 City to a successful claim by the FDIC).

Investments

Investments are reported at fair value. As of December 31, 2011, the City had the following investment:

Rating by Standard & Poor's	Investment	Fair Value	Investment Maturities (in years) 1 - 2	Percentage of Total Investments
AA+	Federal National Mortgage Association	\$ 2,000,000	\$ 2,000,000	100.00%
	Totals	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>100.00%</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The City's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the City.

Credit Risk: The City's investments credit ratings are summarized above.

City of Broadview Heights, Ohio
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Concentration of Credit Risk: The City places no limit on the amount the City may invest in any one issuer. The investment percentages are listed above.

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. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

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 levy fund.

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
	<u> </u>	<u> </u>
GAAP Basis (as reported)	\$ 358,575	\$ (68,519)
Adjustments:		
Revenue accruals	90,203	(16,048)
Expenditure accruals	417,684	10,330
Funds budgeted elsewhere	(26)	0
Encumbrances	<u>(310,284)</u>	<u>(19,680)</u>
 Budget basis	 <u>\$ 556,152</u>	 <u>\$ (93,917)</u>

** As part of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 7 – Transfers and Interfund Balances

Interfund Transfers

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, 2011, consisted of the following:

Transfer In	Transfer Out			Total
	General Fund	Streets Capital Improvement	Other Governmental Funds	
General Bond Retirement	\$ 0	\$ 346,365	\$ 130,459	\$ 476,824
Other Governmental Funds	42,599	0	0	42,599
Total	\$ 42,599	\$ 346,365	\$ 130,459	\$ 519,423

The transfers from the streets capital improvement fund and other governmental funds to the general bond retirement fund were to pay for the debt issues for storm sewer, Broadview Center renovations and various street improvement projects. General fund transferred to other governmental funds to cover expenditures.

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.

Advances from/to Other Funds

Advances to/from Other Funds	Receivables	Payables
Other Governmental Funds:		
Safety Equipment	\$ 112,000	\$ 0
Circle Building	0	112,000
Total	\$ 112,000	\$ 112,000

As of December 31, 2011, the advances to and from other funds balance is made up of a loan made to the circle building fund for \$112,000 that the safety equipment fund does not expect to collect until sometime in the future.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 8 – Receivables

Receivables at December 31, 2011, 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 and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2011 was \$9.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$ 617,568,910	98.88%
Public Utility Tangible Property	<u>7,026,190</u>	<u>1.12%</u>
Total	<u>\$ 624,595,100</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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2011. 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 2011 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 for 2011, are credited to the following funds: 72.7% to the general fund, 1% to the fire levy special revenue fund, 16.5% to the streets capital improvement fund and 9.8% to other governmental funds.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Local Government	\$ 206,583
Gasoline and Excise Tax	383,419
Permissive Tax	10,958
Estate Tax	147,353
Homestead/Rollback	239,649
Grants	235,275
Other	<u>42,980</u>
Total	<u>\$ 1,266,217</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Taxes Receivable

A summary of taxes receivable follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate Tax	\$ 3,580,221
Municipal Income Tax	<u>2,799,421</u>
 Total	 <u><u>\$ 6,379,642</u></u>

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City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land and Improvements	\$ 3,334,193	\$ 98,386	\$ 0	\$ 3,432,579
Intangible	0	22,142	0	22,142
Construction in Progress	699,609	2,763,439	(2,692,249)	770,799
Total Capital Assets, not being depreciated	4,033,802	2,883,967	(2,692,249)	4,225,520
<i>Capital Assets, being depreciated:</i>				
Buildings	6,062,575	0	0	6,062,575
Improvements	3,954,841	0	0	3,954,841
Furniture & Fixtures	34,642	0	0	34,642
Machinery & Equipment	1,882,914	251,915	0	2,134,829
Vehicles	3,069,561	354,779	(295,027)	3,129,313
Infrastructure				
Traffic Signals	443,207	0	0	443,207
Roads	21,553,854	2,601,936	0	24,155,790
Waterlines	10,715,637	0	0	10,715,637
Street Signs & Guard Rails	26,710	0	0	26,710
Storm Sewers	11,899,473	90,313	0	11,989,786
Total Capital Assets, being depreciated	59,643,414	3,298,943	(295,027)	62,647,330
Less Accumulated Depreciation:				
Buildings	(1,792,085)	(128,581)	0	(1,920,666)
Improvements	(992,286)	(181,643)	0	(1,173,929)
Furniture & Fixtures	(28,970)	(898)	0	(29,868)
Machinery & Equipment	(1,383,075)	(179,348)	0	(1,562,423)
Vehicles	(2,511,870)	(243,845)	272,083	(2,483,632)
Infrastructure				
Traffic Signals	(334,614)	(13,855)	0	(348,469)
Roads	(13,300,463)	(952,033)	0	(14,252,496)
Waterlines	(5,316,527)	(172,937)	0	(5,489,464)
Street Signs & Guard Rails	(26,642)	(30)	0	(26,672)
Storm Sewers	(6,511,761)	(397,921)	0	(6,909,682)
Total Accumulated Depreciation	(32,198,293)	(2,271,091)	272,083	(34,197,301)
Total Capital Assets being depreciated, net	27,445,121	1,027,852	(22,944)	28,450,029
Governmental Activities Capital Assets, Net	\$ 31,478,923	\$ 3,911,819	\$ (2,715,193)	\$ 32,675,549

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Construction in Progress	\$ 0	\$ 15,775	\$ 0	\$ 15,775
Total Capital Assets, not being depreciated	0	15,775	0	15,775
<i>Capital Assets, being depreciated:</i>				
Buildings	1,136,841	0	0	1,136,841
Machinery & Equipment	604,960	21,225	0	626,185
Vehicles	239,681	0	0	239,681
Infrastructure				
Sanitary Sewers	14,774,012	0	0	14,774,012
Total Capital Assets, being depreciated	16,755,494	21,225	0	16,776,719
Less Accumulated Depreciation:				
Buildings	(728,039)	(28,389)	0	(756,428)
Machinery & Equipment	(550,028)	(10,465)	0	(560,493)
Vehicles	(234,068)	(2,807)	0	(236,875)
Infrastructure				
Sanitary Sewers	(11,699,368)	(432,362)	0	(12,131,730)
Total Accumulated Depreciation	(13,211,503)	(474,023)	0	(13,685,526)
Total Capital Assets being depreciated, net	3,543,991	(452,798)	0	3,091,193
Business-Type Activities Capital Assets, Net	<u>\$ 3,543,991</u>	<u>\$ (437,023)</u>	<u>\$ 0</u>	<u>\$ 3,106,968</u>

Depreciation was charged as follows:

<i>Governmental Funds:</i>	
General Government	\$ 869,227
Security of Persons and Property	220,212
Community Development	106,696
Leisure Time Activities	94,019
Transportation	980,937
	<u>\$ 2,271,091</u>
 <i>Proprietary Funds:</i>	
Sewer Maintenance	<u>\$ 474,023</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 9 – Defined Benefit Pension Plans

Ohio Public Employee Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011, members in State and local classifications contributed 10.0% of covered payroll and public safety and law enforcement members contributed 11.0% and 11.6%, respectively. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0%, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1%.

The City's contribution rate for 2011 was 14.0%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1% of covered payroll. For 2011, a portion of the City's contribution of covered payroll was allocated to fund the post-employment health care plan. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 4.0% and 6.05%, respectively.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$330,679, \$369,932 and \$341,466, respectively; 91% has been contributed for 2011 and 100% for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$29,717 made by the City and \$21,227 made by the plan members.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Ohio Police and Firemen's Disability and Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. For 2011 a portion of the City's contribution equal to 6.75% of covered payroll was allocated to fund the post-employment health care plan. For 2010, this allocation was also 6.75%. The City's contributions to the OP&F for police and firefighters were \$271,519 and \$220,877 for the year ending December 31, 2011, \$278,399 and \$226,665 for the year ended December 31, 2010, and \$275,218 and \$231,775 for the year ended December 31, 2009; The full amount has been contributed for 2010 and 2009. 71.0% has been contributed for 2011, with the remainder being reported as a liability.

Note 10 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.0% of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 4.0% and 6.05%, respectively.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plans.

The City's contributions allocated to fund post-employment health care benefits for local employees and public safety employees for the years ended December 31, 2011, 2010 and 2009 were \$300,250 and \$4,870, \$217,164 and \$4,610 and \$251,503 and \$7,081 respectively; 92.4% has been contributed for 2011 and 100% for 2010 and 2009.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Firemen's Disability and Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by the OP&F. OP&F provides health care benefits, including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OP&F provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check, or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F's Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the years ended December 31, 2011 and 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequate funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The number of participants eligible to receive health care benefits as of December 31, 2010 (the latest information available), are 15,013 for Police and 11,061 for Firefighters. The total health care expense for the year ending December 31, 2010 was \$159,913,915, which was net of member contributions of \$58,923,329.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police officers and firefighters were \$143,745 and \$86,430 for the year ended December 31, 2011, \$147,387 and \$88,695 for the year ended December 31, 2010 and \$145,704 and \$90,695 for the year ended December 31, 2009. The full amount has been contribution for 2010 and 2009. 71% has been contributed for 2011.

Note 11 – 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:

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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	1/3 of 120 days (320 hours)
Sergeant:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/3 of 120 days (320 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)

Note 12 – 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.

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
1991 Street Improvement	2011	6.77%	18,079
1999 Various Improvement	2019	4.50% to 5.65%	2,850,000
2000 Broadview Center Improvement	2013	4.60%	1,550,000
2003 Service Building	2013	4.20%	1,260,000
2003 Street Improvement	2023	4.58%	96,000
2004 Building Improvement	2024	3.00% - 5.00%	300,000
2006 Street Improvement	2026	3.75% - 5.00%	1,029,649
2006 Demolition Project	2026	3.75% - 5.00%	621,476
2007 Energy Improvement Project	2017	4.0% - 4.25%	1,700,000
Total			<u>\$ 9,435,788</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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
2012	\$ 760,447	\$ 226,412	\$ 986,859
2013	738,814	192,742	931,556
2014	450,585	158,837	609,422
2015	467,870	137,772	605,642
2016	480,547	115,801	596,348
2017 - 2021	1,370,561	277,242	1,647,803
2025 - 2026	554,340	70,310	624,650
Total	\$ 4,823,164	\$ 1,179,116	\$ 6,002,280

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			
1991 Street Improvement	2011	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%	630,000
2001 Sewer Improvement	2021	6.10%	211,000
2003 Street Improvement	2023	4.2%	200,000
2003 Street Improvement	2023	4.2%	800,000
2003 Sewer Improvement	2023	4.58%	304,000
2004 Street Improvement	2024	3.00% to 5.00%	505,000
2006 Sewer Improvement	2026	3.75% - 5.00%	582,448
2006 Sewer Improvement	2026	3.75% - 5.00%	71,427
Total			\$ 4,300,532

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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
2012	\$ 161,299	\$ 103,403	\$ 264,702
2013	171,066	96,430	267,496
2014	179,969	88,977	268,946
2015	177,400	80,838	258,238
2016	177,483	72,764	250,247
2017 - 2021	912,737	230,989	1,143,726
2022 - 2026	475,661	47,724	523,385
Total	<u>\$ 2,255,615</u>	<u>\$ 721,125</u>	<u>\$ 2,976,740</u>

OWDA Loans

The City entered into various loan agreements with the Ohio Water Development Authority for the purpose of improving and expanding sanitary sewers. 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			
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%	<u>719,567</u>
			<u>\$ 3,409,724</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Year Ending December 31,	OWDA Loans		
	Governmental Activities		
	Principal	Interest	Total
2012	\$ 188,869	\$ 47,323	\$ 236,192
2013	196,751	39,440	236,191
2014	204,964	31,230	236,194
2015	151,564	22,656	174,220
2016	94,579	17,677	112,256
2017 - 2021	364,456	32,948	397,404
Total	\$ 1,201,183	\$ 191,274	\$ 1,392,457

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

In 2008, the City obtained a loan with the Ohio Public Works Commission (OPWC) for road improvements in the amount of \$200,000 at 0% interest to be repaid over 20 years.

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

Year Ending December 31,	Governmental Activities	
	Principal	
	Brownfield Cleanup Revolving Loan	OPWC Loan
2012	\$ 71,709	\$ 20,000
2013	35,856	20,000
2014	0	20,000
2015	0	20,000
2016	0	20,000
2017 - 2019	0	50,000
Total	\$ 107,565	\$ 150,000

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Changes in Long Term Liabilities

Long term liability activity for the year ended December 31, 2011 was as follows:

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011	Due Within One Year
<i>General Obligation Bonds</i>					
Street Improvement (1991) 6.772 % through 2011	\$ 1,566	\$ 0	\$ (1,566)	\$ 0	\$ 0
Sidewalk Improvements (1977) 5.250%	2,500	0	0	2,500	2,500
Broadview Center Improvement (2000) 4.6% through 2013	540,000	0	(170,000)	370,000	180,000
Various Purpose (1999) 4.50% - 5.65% through 2019	1,637,925	0	(147,426)	1,490,499	151,515
Service Building (2003) 4.20% through 2013	410,000	0	(135,000)	275,000	135,000
Sewer Improvements (2003) 4.58% through 2023	70,800	0	(3,600)	67,200 *	4,800
Building Improvements (2004) 3.00% - 5.00% through 2024	235,000	0	(15,000)	220,000	15,000
Street Improvements (2006) 3.75% - 5.00% through 2026	850,969	0	(44,670)	806,299	44,670
Demolition Project (2006) 3.75% - 5.00% through 2026	513,628	0	(26,962)	486,666	26,962
Energy Improvement Project (2007) 4.00% - 4.25% through 2017	1,255,000	0	(150,000)	1,105,000	200,000
Total General Obligation Bonds	5,517,388	0	(694,224)	4,823,164	760,447

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011	Due Within One Year
<i>Special Assessment Bonds With City Commitment</i>					
Street Improvement (1991) 6.772 % through 2011	\$ 73,434	\$ 0	\$ (73,434)	\$ 0	\$ 0
Sewer Improvement (1994) 5.500% through 2014	24,000	0	(6,000)	18,000 *	6,000
Sewer Improvement (1995) 6.383% through 2015	14,000	0	(2,000)	12,000	3,000
Various Purpose (1999) 4.50% - 5.65% through 2019	362,079	0	(32,577)	329,502	33,485
Sewer Improvement (2001) 6.1% through 2021	145,927	0	(9,649)	136,278 *	10,246
Street Improvement (2003) 4.20% through 2023	575,000	0	(35,000)	540,000	35,000
Street Improvement (2003) 4.20% through 2023	140,000	0	(10,000)	130,000	10,000
Sewer Improvement (2003) 4.58% through 2023	224,200	0	(11,400)	212,800 *	15,200
Street Improvement (2004) 3.00% - 5.00% through 2024	385,000	0	(20,000)	365,000	20,000
Sewer Improvement (2006) 3.75% - 5.00% through 2026	481,371	0	(25,268)	456,103 *	25,269
Sewer Improvement (2006) 3.75% - 5.00% through 2026	59,029	0	(3,097)	55,932 *	3,099
Total Special Assessment Bonds	2,484,040	0	(228,425)	2,255,615	161,299

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Balance 12/31/2010	Additions	Reductions	Balance 12/31/2011	Due Within One Year
<i>OWDA Loans</i>					
Interest rates vary from 4.04% to 9.78%, due through 2021	\$ 1,382,487	\$ 0	\$ (181,304)	\$ 1,201,183	\$ 188,869
<i>OPWC Loan</i>					
0% due 2019	170,000	0	(20,000)	150,000	20,000
<i>Brownfields Cleanup Revolving Loan</i>					
0% due 2013	179,274	0	(71,709)	107,565	71,709
Capital Lease	0	144,160	0	144,160	33,636
Compensated Absences	1,359,504	418,909	(462,690)	1,315,723	462,516
Total Governmental Activities	<u>\$ 11,092,693</u>	<u>\$ 563,069</u>	<u>\$(1,658,352)</u>	<u>\$ 9,997,410</u>	<u>\$ 1,698,476</u>
<i>Business-Type Activities</i>					
Compensated Absences	<u>\$ 30,125</u>	<u>\$ 2,436</u>	<u>\$ (11,960)</u>	<u>\$ 20,601</u>	<u>\$ 5,150</u>
Total Business-Type Activities	<u>\$ 30,125</u>	<u>\$ 2,436</u>	<u>\$ (11,960)</u>	<u>\$ 20,601</u>	<u>\$ 5,150</u>

* These debt issues are recorded in governmental funds to finance assets of the business-type activities. See notation on page 13 for a further description of the presentation on the statement of net assets.

Compensated absences will be paid from the fund from which the person is paid. This is generally from the general fund, fire levy fund, street maintenance and repair fund or recreation fund.

Note 13 – 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 \$21,583,000 limit and a \$1,000 deductible.

The City also maintains a variety of liability insurance coverages with varying deductibles. The liability insurance on City vehicles has a combined single-limit bodily injury and property damage coverage in the amount of \$1,000,000 per occurrence (with no deductible or aggregate). The City also carries public official and employee liability insurance coverage with a \$1,000,000 limit of liability (with \$25,000 retention) for each loss.

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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 life, health and dental benefits to full time city employees. Coverage is provided by a commercial insurance carrier under a shared-funding plan. The City will pay up to a predetermined amount toward each employee's healthcare costs after employees meet their deductible. Once this "funding corridor" has been met, the insurance company will pay the employee's remaining annual healthcare costs.

Worker's Compensation

The City pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 14 – 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 15 – 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 2011, the City contributed \$10,000 for the Southwest Council of Governments annual dues. The City contributed \$5,000 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, Parma Heights, Ohio.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 16 - Contractual Commitments

As of December 31, 2011, the City had contractual commitments for the following:

	Contractual Commitment	Expended	Balance 12/31/11
Storm Sewer Projects	\$ 423,858	\$ 408,931	\$ 14,927
Sanitary Sewer Projects	17,275	15,775	1,500
Windows/HVAC Upgrades	194,550	115,428	79,122
	\$ 635,683	\$ 540,134	\$ 95,549

Note 17 - Capitalized Leases

Capital lease obligations relate to equipment which is leased under a long-term agreement. This lease meets the criteria of a capital lease as defined under generally accepted accounting standards. Capital lease payments in the governmental funds, which begin in 2012, will be reclassified and reflected as debt service in the basic financial statements for the recreation fund. These expenditures will be reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2011.

Year	Amount
2012	\$ 40,297
2013	40,297
2014	40,297
2015	40,297
Total Minimum Lease Payments	161,188
Less Amount Representing Interest	17,028
Present Value of Minimum Lease Payments	\$ 144,160

The assets being acquired have been capitalized in the governmental activities in the amount of \$144,160, which is the present value of the minimum lease payments at the inception of each lease.

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT 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**

To Members of the City Council
City of Broadview Heights

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, Cuyahoga County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City of Broadview Heights, Ohio's basic financial statements and have issued our report thereon dated June 14, 2012, wherein we noted the City implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and restated the December 31, 2010 fund balances/net assets due to a change in fund structure. The City also restated its December 31, 2010 fund balances/net assets due to the storm sewer utility and assessments receivable being recorded to the Sewer Maintenance Enterprise Fund instead of the Storm Sewer Governmental Fund. 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.

Internal Control Over Financial Reporting

Management of the City of Broadview Heights, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Broadview Heights, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Broadview Heights, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Broadview Heights, Ohio's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be a significant deficiency in internal control over financial reporting as **Item 2011-001**. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Broadview Heights, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City of Broadview Heights, Ohio, in a separate letter dated June 14, 2012.

The City of Broadview Heights, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response. We did not audit the City of Broadview Heights, Ohio's response and, accordingly, we express no opinion on it.

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


James G. Zupka, CPA, Inc.
Certified Public Accountants

June 14, 2012

**CITY OF BROADVIEW HEIGHTS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF FINDING AND RESPONSE
DECEMBER 31, 2011**

Item Number 2011-001 - Significant Deficiency - Proper Recording in the Financial Statements

Statement of Condition/Criteria

Financial reporting is essential to ensure that the information provided to the reader of the financial statements is complete and accurate. During our audit, we noted the following errors in the financial statements:

1. The City recorded storm water management fees and assessments receivables in the Sewer Maintenance Enterprise Fund rather than the Storm Sewer Governmental Fund for the year ended 2010. This resulted in a restatement of beginning net assets and governmental fund balances.
2. The City recorded charges for services for the Storm Center Fund of \$531,335 as grants and entitlements in 2010. This affected only revenue classification on the financial statements.
3. The City's contracts payables was understated for 2011. Two payments for the Storm Center Fund totaling \$70,125 have been recorded as audit adjustments.
4. The City did not record inventory for 2011. Salt inventory of \$57,564 is material to the financial statements and has been recorded as an audit adjustment. Fuel inventory of \$18,385 is not material to the financial statements and has not been recorded as an audit adjustment.

Cause/Effect

The City incorrectly recorded storm water management fees and assessments receivables, charges for services, contracts payable, and inventory, which resulted in errors on the financial statements.

Recommendation

We recommend that the City implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

City's Response

The City will implement the above recommendation.

**CITY OF BROADVIEW HEIGHTS
CUYAHOGA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011**

No significant findings or questioned costs were included in the prior year's audit report. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

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
AUGUST 16, 2012**