

**City of
Broadview Heights, Ohio**

* * * *

Financial Statements

December 31, 2006



Mary Taylor, CPA
Auditor of State

Honorable Mayor and City Council
City of Broadview Heights
9543 Broadview Road, Bldg 7
Broadview Heights, Ohio 44147

We have reviewed the *Independent Auditor's Report* of the City of Broadview Heights, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 7, 2007

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City of Broadview Heights, Ohio

For the Year Ended December 31, 2006

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 8, 2007

To the Honorable Mayor and City Council
City of Broadview Heights
9543 Broadview Road
Broadview Heights, Ohio 44147

INDEPENDENT AUDITOR'S REPORT

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, 2006, 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 Height'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 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, business type activities, each major fund, and the aggregate remaining fund information of the City of Broadview Heights, Ohio, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General and Fire Levy Special Revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2007 on our consideration of the City of Broadview Height's internal control over financial reporting and 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 the 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.

The Management's Discussion and Analysis on pages 3 through 13 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006

Our discussion and analysis of the City of Broadview Heights's financial performance provides an overview of the City's financial activities as of December 31, 2006.

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

Financial Highlights

Key financial highlights for 2006 are as follows:

- The City's net assets increased approximately \$3.1 million as a result of this year's operations. Net assets of our business-type activities decreased by approximately \$.6 million, or 8.8%, and net assets of governmental activities increased by \$3.7 million, or 11.5%.
- General revenues accounted for \$15.6 million or 70.2% of total governmental activities revenue. Program specific revenues accounted for \$6.0 million or 27.7% of total governmental activities revenue.
- Capital assets of the governmental activities increased \$1.3 million and business-type activities decreased \$.5 million.
- The City had \$18.7 in expenses related to governmental activities; \$6.0 million of these expenses was offset by program specific charges for services, grants, contributions and interest. General revenues (primarily taxes) of \$15.6 million were adequate to provide for these programs.
- The general fund, the City's largest major fund, had revenues of \$11.7 million in 2006, an increase of \$.5 million or 4.1% from 2005 revenues. The expenditures of the general fund totaled \$11.2 million in 2006, an increase of \$.6 million or 5.3% from 2005 expenditures.
- The City issued \$2.3 million in bonds in 2006 and retired \$1.5 million in bonds and loans.

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 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-

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006

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 sanitation operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 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.

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.

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Management's Discussion and Analysis
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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, OWDA 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 18.

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

The proprietary fund financial statements begin on page 24.

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

The fiduciary fund financial statements begin on page 27.

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

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006

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 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	Restated 2005	2006	2005	2006	2005
Assets						
Current and Other Assets	\$ 23,843,838	\$ 21,465,021	\$ 555,131	\$ 771,434	\$ 24,398,969	\$ 22,236,455
Capital Assets, Net	32,373,432	31,077,693	5,802,380	6,297,942	38,175,812	37,375,635
Total Assets	56,217,270	52,542,714	6,357,511	7,069,376	62,574,781	59,612,090
Liabilities						
Current and Other Liabilities	5,180,880	4,696,710	29,407	131,109	5,210,287	4,827,819
Long Term Liabilities						
Due Within One Year	1,719,556	2,397,374	3,062	1,991	1,722,618	2,399,365
Due in More than One Year	13,397,947	12,600,224	20,858	20,870	13,418,805	12,621,094
Total Liabilities	20,298,383	19,694,308	53,327	153,970	20,351,710	19,848,278
Net Assets						
Invested in Capital						
Assets Net of Debt	20,171,210	18,318,853	5,802,380	6,297,942	25,363,196 *	23,978,684
Restricted						
Other Purposes	1,004,444	939,233	0	0	1,004,444	939,233
Debt Service	9,788,976	8,527,988	0	0	9,788,976	8,527,988
Capital Projects	2,001,314	236,207	0	0	2,001,314	236,207
Unrestricted (Deficit)	2,952,943	4,826,125	501,804	617,464	4,065,141 *	6,081,700
Total Net Assets	\$ 35,918,887	\$ 32,848,406	\$ 6,304,184	\$ 6,915,406	\$ 42,223,071	\$ 39,763,812

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

The City's *combined* net assets changed from a year ago, *increased* from \$39.8 million to \$42.2 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge.

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Net assets in the City's governmental activities increased by 9.3% (\$35.9 million compared to \$32.8 million). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased approximately \$1.9 million. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance increased by nearly \$1.8 million. Net assets restricted for debt obligations increased \$1.3 million. The investments in capital assets, net of debt category also increased by \$1.9 million.

Net assets in the City's business-type activities decreased by \$.6 million in 2006. The City can only use these net assets to finance the continuing operations of sanitary sewer maintenance.

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

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,175,101	\$ 3,370,035	\$ 1,244,483	\$ 1,113,911	\$ 3,419,584	\$ 4,483,946
Operating Grants and Contributions	2,218,371	1,153,386	22,351	14,485	2,240,722	1,167,871
Capital Grants and Contributions	1,605,720	1,142,266	0	0	1,605,720	1,142,266
Total Program Revenues	5,999,192	5,665,687	1,266,834	1,128,396	7,266,026	6,794,083
<i>General Revenues:</i>						
City Income Taxes	9,393,667	9,028,967	0	0	9,393,667	9,028,967
Property Taxes	3,498,100	3,292,986	0	0	3,498,100	3,292,986
Hotel Tax	8,528	7,184	0	0	8,528	7,184
Grants and Contributions	1,583,634	1,173,491	0	0	1,583,634	1,173,491
Interest and Investment Earnings	195,838	65,985	0	0	195,838	65,985
Rentals	248,615	93,928	0	0	248,615	93,928
Other	703,350	3,290	0	2,000	703,350	5,290
Total General Revenues	15,631,732	13,665,831	0	2,000	15,631,732	13,667,831
Total Revenues	21,630,924	19,331,518	1,266,834	1,130,396	22,897,758	20,461,914
Program Expenses						
General Government	5,655,869	5,786,190	0	0	5,655,869	5,786,190
Security of Persons and Property	6,847,396	6,257,605	0	0	6,847,396	6,257,605
Public Health	311,843	57,288	0	0	311,843	57,288
Community Development	442,155	610,021	0	0	442,155	610,021
Transportation	2,462,650	3,869,592	0	0	2,462,650	3,869,592
Basic Utility	911,397	727,676	0	0	911,397	727,676
Leisure Time Activities	1,364,559	584,717	0	0	1,364,559	584,717
Interest on Long Term Debt	664,574	644,178	0	0	664,574	644,178
Sewer Maintenance	0	0	1,778,056	1,806,774	1,778,056	1,806,774
Total Expenses	18,660,443	18,537,267	1,778,056	1,806,774	20,438,499	20,344,041
<i>Increase (Decrease) in Net Assets</i>						
<i>Before Transfers</i>	2,970,481	794,251	(511,222)	(676,378)	2,459,259	117,873
Net Transfers	100,000	(653,519)	(100,000)	653,519	0	0
<i>Increase (Decrease) in Net Assets</i>	\$ 3,070,481	\$ 140,732	\$ (611,222)	\$ (22,859)	\$ 2,459,259	\$ 117,873

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006

Governmental Activities

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	2006		2005	
	Total Cost	Net Cost	Total Cost	Net Cost
General Government	\$ 5,655,869	\$ 3,930,143	\$ 5,786,190	\$ 2,207,318
Security of Persons and Property	6,847,396	5,987,885	6,257,605	5,930,981
Public Health	311,843	311,843	57,288	57,147
Community Development	442,155	435,525	610,021	596,821
Transportation	2,462,650	1,128,792	3,869,592	2,908,367
Basic Utility	911,397	911,397	727,676	727,676
Leisure Time	1,364,559	488,042	584,717	(200,908)
Other	0	(1,196,950)	0	0
Interest and Fiscal Charges	664,574	664,574	644,178	644,178
<i>Total Expenses</i>	<u>\$ 18,660,443</u>	<u>\$ 12,661,251</u>	<u>\$ 18,537,267</u>	<u>\$ 12,871,580</u>

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

When looking at sources of income to support governmental activities, it should be noted that the charges for services are 9.8% of all governmental revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 20%. The remaining revenues are primarily generated locally through income tax (42.2%) and property taxes (15.7%).

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
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Business-Type Activities

The City's major Enterprise Fund consists of 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 \$.6 million. The basic financial statements for the major fund are included in this report.

The City's Funds

Governmental Funds

Information about the City's major governmental funds begins on page 18. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$21.3 million and expenditures of \$22.2 million. The General Fund balance decreased approximately \$.08 million.

The Fire Levy Fund balance increased by \$.01 million and the General Bond Retirement Fund increased by \$.09 million. The OWDA Bond Retirement Fund fund balance decreased \$.2 million and the Streets Capital Improvement Fund had an increase of \$.1 million.

Proprietary Funds

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

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

Budgeting Highlights

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

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Management's Discussion and Analysis
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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 original budgeted revenue was \$.08 million less and actual and final budgeted revenue was \$.4 million less than actual.

Capital Asset and Debt Administration

Capital Assets

At the end of 2006, the City had approximately \$38.2 million invested in a broad range of capital assets, including police and fire equipment, land, buildings, park facilities, roads, bridges, and water and sewer lines (see below). Table 4 shows fiscal year 2006 balances compared with 2005.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	Restated 2005	2006	2005	2006	2005
Land	\$ 2,405,232	\$ 2,405,232	\$ 0	\$ 0	\$ 2,405,232	\$ 2,405,232
Construction in Progress	2,106,555	11,208	0	0	2,106,555	11,208
Buildings and Improvements	4,633,106	4,752,645	522,517	550,938	5,155,623	5,303,583
Improvements	1,232,291	1,184,729	0	0	1,232,291	1,184,729
Furniture and Fixtures	12,601	15,167	0	0	12,601	15,167
Machinery and Equipment	655,510	686,221	146,762	58,522	802,272	744,743
Vehicles	923,877	1,070,882	17,689	21,612	941,566	1,092,494
Infrastructure	20,404,260	20,951,609	5,115,412	5,666,870	25,519,672	26,618,479
Totals	<u>\$ 32,373,432</u>	<u>\$ 31,077,693</u>	<u>\$ 5,802,380</u>	<u>\$ 6,297,942</u>	<u>\$ 38,175,812</u>	<u>\$ 37,375,635</u>

Additions exceeded depreciation expense in 2006, resulting in a net increase of \$.8 million from 2005.

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

City of Broadview Heights
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Management's Discussion and Analysis
For the Year Ended December 31, 2006

Debt

At December 31, 2006, the City had \$10.2 million in bonds, \$3.2 million in OWDA loans and \$.5 million in the Brownfield Cleanup Revolving Loan.

(Table 5)
Outstanding Debt, at December 31, 2006

	Governmental Activities 2006	Governmental Activities 2005
General Obligation Bonds	\$ 6,287,067	\$ 5,034,286
Special Assessment Bonds	3,864,682	3,527,608
Brownfield Cleanup Revolving Loan	466,110	537,819
Bond Anticipation Notes	0	878,500
OWDA Loans	3,246,599	3,928,840
Totals	\$ 13,864,458	\$ 13,907,053

At December 31, 2006, the City had outstanding long-term debt obligations in the amount of \$13.9 million down from \$.4 million in 2005 for the governmental activities which represents a .3% decrease.

In May, 2006, the City's rating with Moody's Investor Service was upgraded to Aa3.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements (Note 13).

Current Issues

In June, 2006, the City sold \$2.3 million in bonds for road improvements and to improve the storm water drainage throughout the City.

The City also completed the abatement and is in process of the demolition of the dilapidated hospital building on the municipal complex grounds.

City of Broadview Heights
Cuyahoga County, Ohio
Management's Discussion and Analysis
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Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Pertz, Director of Finance, 9543 Broadview Road, Bldg 7, Broadview Heights, Ohio 44147.

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City of Broadview Heights, Ohio
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 6,265,683	\$ 224,567	\$ 6,490,250
Cash with Fiscal Agent	839,172	0	839,172
Receivables:			
Accounts (Net of Allowance)	332,731	330,564	663,295
Taxes	6,456,238	0	6,456,238
Intergovernmental	1,472,094	0	1,472,094
Special Assessments	8,477,920	0	8,477,920
Noncurrent Assets:			
Land and Construction in Progress	4,511,787	0	4,511,787
Depreciable Capital Assets, Net of Depreciation	27,861,645	5,802,380	33,664,025
<i>Total Assets</i>	<u>56,217,270</u>	<u>6,357,511</u>	<u>62,574,781</u>
Liabilities			
Accounts Payable	260,360	4,511	264,871
Contracts Payable	90,433	0	90,433
Intergovernmental Payable	557,817	14,907	572,724
Accrued Salaries, Wages and Benefits	298,813	9,989	308,802
Deferred Revenue	3,834,773	0	3,834,773
Accrued Interest	138,684	0	138,684
Non Current Liabilities:			
Due Within One Year	1,719,556	3,062	1,722,618
Due In More Than One Year	13,397,947	20,858	13,418,805
<i>Total Liabilities</i>	<u>20,298,383</u>	<u>53,327</u>	<u>20,351,710</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,171,210	5,802,380	24,737,466
Restricted for:			
Other Purposes	1,004,444	0	1,004,444
Debt Service	9,788,976	0	9,788,976
Capital Projects	2,001,314	0	2,001,314
Unrestricted	2,952,943	501,804	4,690,871
<i>Total Net Assets</i>	<u>\$ 35,918,887</u>	<u>\$ 6,304,184</u>	<u>\$ 42,223,071</u>

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

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2006

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 5,655,869	\$ 1,140,018	\$ 585,708	\$ 0
Security of Persons and Property	6,847,396	3,344	856,167	0
Public Health	311,843	0	0	0
Community Development	442,155	6,630	0	0
Transportation	2,462,650	148,592	776,496	408,770
Basic Utility	911,397	0	0	0
Leisure Time	1,364,559	876,517	0	0
Other	0	0	0	1,196,950
Interest and Fiscal Charges	664,574	0	0	0
<i>Total Governmental Activities</i>	<u>18,660,443</u>	<u>2,175,101</u>	<u>2,218,371</u>	<u>1,605,720</u>
Business-Type Activities				
Sewer	1,778,056	1,244,483	22,351	0
<i>Total Business-Type Activities</i>	<u>1,778,056</u>	<u>1,244,483</u>	<u>22,351</u>	<u>0</u>
<i>Totals</i>	<u>\$ 20,438,499</u>	<u>\$ 3,419,584</u>	<u>\$ 2,240,722</u>	<u>\$ 1,605,720</u>

General Revenues

Municipal Income Tax Levied For:

General Purposes

Other Purposes

Capital Outlay

Property Taxes Levied For:

General Purposes

Police and Fire

Debt Service

Hotel Tax

Grants and Entitlements not Restricted to Specific Programs

Interest and Investment Earnings

Rentals

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year (Restated, See Note 3)

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
\$ (3,930,143)	\$ 0	\$ (3,930,143)
(5,987,885)	0	(5,987,885)
(311,843)	0	(311,843)
(435,525)	0	(435,525)
(1,128,792)	0	(1,128,792)
(911,397)	0	(911,397)
(488,042)	0	(488,042)
1,196,950	0	1,196,950
(664,574)	0	(664,574)
<u>(12,661,251)</u>	<u>0</u>	<u>(12,661,251)</u>
0	(511,222)	(511,222)
<u>0</u>	<u>(511,222)</u>	<u>(511,222)</u>
<u>(12,661,251)</u>	<u>(511,222)</u>	<u>(13,172,473)</u>
6,817,982	0	6,817,982
298,100	0	298,100
2,277,585	0	2,277,585
1,505,812	0	1,505,812
1,938,993	0	1,938,993
53,295	0	53,295
8,528	0	8,528
1,583,634	0	1,583,634
195,838	0	195,838
248,615	0	248,615
703,350	0	703,350
15,631,732	0	15,631,732
<u>100,000</u>	<u>(100,000)</u>	<u>0</u>
<u>15,731,732</u>	<u>(100,000)</u>	<u>15,631,732</u>
3,070,481	(611,222)	2,459,259
<u>32,848,406</u>	<u>6,915,406</u>	<u>39,763,812</u>
<u>\$ 35,918,887</u>	<u>\$ 6,304,184</u>	<u>\$ 42,223,071</u>

City of Broadview Heights, Ohio
Balance Sheet
Governmental Funds
December 31, 2006

	General	Fire Levy Fund	General Bond Retirement	OWDA Bond Retirement	Streets Capital Improvement
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,770,084	\$ 116,924	\$ 467,060	\$ 0	\$ 463,498
Cash in Segregated Accounts	0	0	0	839,172	0
Receivables:					
Accounts (Net of Allowance)	244,165	1,340	0	0	22,103
Taxes	3,475,520	1,992,173	61,476	0	411,916
Intergovernmental	587,561	92,769	2,894	0	408,770
Special Assessments	0	0	7,282,900	1,195,020	0
Advances to Other Funds	0	0	0	0	0
<i>Total Assets</i>	<u>\$ 6,077,330</u>	<u>\$ 2,203,206</u>	<u>\$ 7,814,330</u>	<u>\$ 2,034,192</u>	<u>\$ 1,306,287</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 159,810	\$ 4,773	\$ 0	\$ 0	\$ 0
Contracts Payable	0	0	0	0	0
Intergovernmental Payable	293,976	146,437	0	0	0
Accrued Salaries, Wages and Benefits	200,898	69,252	0	0	0
Deferred Revenue	2,778,027	2,070,974	7,347,270	1,195,020	181,442
Advances From Other Funds	0	0	0	0	0
<i>Total Liabilities</i>	<u>3,432,711</u>	<u>2,291,436</u>	<u>7,347,270</u>	<u>1,195,020</u>	<u>181,442</u>
Fund Balances					
Reserved for Encumbrances	71,992	2,174	0	0	199,002
Reserved for Advances	112,000	0	0	0	0
Unreserved, Undesignated, Reported In:					
General Fund	2,460,627	0	0	0	0
Special Revenue Funds	0	(90,404)	0	0	0
Debt Service Fund	0	0	467,060	839,172	0
Capital Projects Funds	0	0	0	0	925,843
<i>Total Fund Balances (Deficit)</i>	<u>2,644,619</u>	<u>(88,230)</u>	<u>467,060</u>	<u>839,172</u>	<u>1,124,845</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,077,330</u>	<u>\$ 2,203,206</u>	<u>\$ 7,814,330</u>	<u>\$ 2,034,192</u>	<u>\$ 1,306,287</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, 2006*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$ 8,443,650
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 3,448,117	\$ 6,265,683	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,373,432
0	839,172		
65,123	332,731	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
515,153	6,456,238		
380,100	1,472,094	Delinquent Property Taxes	\$ 124,284
0	8,477,920	Municipal Income Tax	1,099,644
112,000	112,000	Special Assessments	8,477,920
		Intergovernmental	656,144
<u>\$ 4,520,493</u>	<u>\$ 23,955,838</u>		10,357,992
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(138,684)
\$ 95,777	\$ 260,360	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
90,433	90,433	General Obligation Bonds	(6,287,067)
117,404	557,817	Capital Leases	(39,998)
28,663	298,813	Special Assessment Bonds	(3,864,682)
620,032	14,192,765	OWDA Bonds	(3,246,599)
112,000	112,000	Long Term Notes Payable	(466,110)
		Compensated Absences Payable	(1,213,047)
<u>1,064,309</u>	<u>15,512,188</u>		<u>(15,117,503)</u>
166,105	439,273		
0	112,000		
0	2,460,627	<i>Net Assets of Governmental Activities</i>	<u>\$ 35,918,887</u>
657,779	567,375		
0	1,306,232		
<u>2,632,300</u>	<u>3,558,143</u>		
3,456,184	8,443,650		
<u>\$ 4,520,493</u>	<u>\$ 23,955,838</u>		

City of Broadview Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2006

	General	Fire Levy Fund	General Bond Retirement	OWDA Bond Retirement	Streets Capital Improvement
Revenues					
Local Taxes	\$ 8,177,041	\$ 1,799,883	\$ 53,383	\$ 0	\$ 1,507,083
Intergovernmental Revenue	1,126,077	456,319	5,948	0	408,770
Fees, Licenses and Permits	1,016,662	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
Special Assessments	31,274	0	706,450	454,989	0
Charges for Services	439,866	0	0	0	0
Interest Income	195,838	22,667	0	30,036	57,883
Rentals	102,215	0	0	0	0
Gifts and Donations	645	0	0	0	0
Miscellaneous	626,419	0	525	0	0
<i>Total Revenues</i>	11,716,037	2,278,869	766,306	485,025	1,973,736
Expenditures					
Current:					
General Government	4,744,240	0	0	0	0
Security of Persons and Property	3,704,131	2,268,570	0	0	0
Public Health	311,843	0	0	0	0
Community Development	353,092	0	0	0	0
Transportation	669,250	0	0	0	0
Basic Utility	911,397	0	0	0	0
Leisure Time	249,122	0	0	0	0
Capital Outlay	0	0	0	0	718,593
Debt Service:					
Principal Retirement	114,800	0	825,319	528,976	0
Interest and Fiscal Charges	123,619	0	408,300	128,771	0
<i>Total Expenditures</i>	11,181,494	2,268,570	1,233,619	657,747	718,593
<i>Excess of Revenues Over (Under) Expenditures</i>	534,543	10,299	(467,313)	(172,722)	1,255,143
Other Financing Sources (Uses)					
Proceeds of Bonds	0	0	0	0	0
Inception of Capital Lease	0	0	0	0	0
Transfers In	0	0	553,805	0	0
Transfers Out	(610,000)	0	0	0	(1,145,076)
<i>Total Other Financing Sources (Uses)</i>	(610,000)	0	553,805	0	(1,145,076)
<i>Net Change in Fund Balances</i>	(75,457)	10,299	86,492	(172,722)	110,067
<i>Fund Balances Beginning of Year</i>	2,720,076	(98,529)	380,568	1,011,894	1,014,778
<i>Fund Balances (Deficit) End of Year</i>	\$ 2,644,619	\$ (88,230)	\$ 467,060	\$ 839,172	\$ 1,124,845

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, 2006*

Other Governmental Funds	Total Governmental Funds		\$	
		Net Change in Fund Balances - Total Governmental Funds	1,554,070	
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
\$ 1,146,159	\$ 12,683,549	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.		
1,340,085	3,337,199	Capital Asset Additions	\$ 3,318,228	
1,042,913	2,059,575	Current Year Depreciation	<u>(1,978,534)</u>	1,339,694
8,815	8,815			
161,746	1,354,459	Net effect of transactions involving the disposal of capital assets are not reflected in the funds.		(43,955)
166,671	606,537	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds,		
6,931	313,355	Delinquent Property Taxes	(8,158)	
146,400	248,615	Municipal Income Tax	219,635	
1,000	1,645	Special Assessments	35,511	
74,761	701,705	Intergovernmental	<u>68,482</u>	315,470
		The issuance of long term debt provides current financial resources to the governmental funds while the repayment of principal of long term debt consumes the current financial resources, but reduces long-term liabilities in the statement of net assets.		
4,095,481	21,315,454	Proceeds from Bonds and Notes	(2,305,000)	
		Proceeds from Capital Leases	(51,000)	
		Bond Principal	398,344	
		Special Assessment Bond principal	316,801	
		OWDA Principal	682,241	
		Capital Leases	11,002	
		Note and Loan Principal	<u>950,209</u>	2,597
		In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		25,107
267,387	5,011,627	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.		
472,518	6,445,219	Compensated Absences		<u>(122,502)</u>
0	311,843			
0	353,092	<i>Change in Net Assets of Governmental Activities</i>		<u>\$ 3,070,481</u>
831,665	1,500,915			
0	911,397			
886,916	1,136,038			
2,780,382	3,498,975			
889,502	2,358,597			
28,991	689,681			
6,157,361	22,217,384			
(2,061,880)	(901,930)			
2,305,000	2,305,000			
51,000	51,000			
1,512,582	2,066,387			
(211,311)	(1,966,387)			
3,657,271	2,456,000			
1,595,391	1,554,070			
1,860,793	6,889,580			
\$ 3,456,184	\$ 8,443,650			

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 8,157,076	\$ 8,158,729	\$ 8,160,970	\$ 2,241
Intergovernmental Revenue	866,632	886,934	887,421	487
Fees, Licenses, and Permits	1,026,814	710,072	1,051,445	341,373
Special Assessments	28,176	27,113	28,852	1,739
Charges for Services	412,392	378,284	422,284	44,000
Interest Income	176,038	169,396	180,261	10,865
Rentals	57,146	54,990	58,517	3,527
Gifts and Donations	630	606	645	39
Miscellaneous	604,917	582,094	619,428	37,334
<i>Total Revenues</i>	<u>11,329,821</u>	<u>10,968,218</u>	<u>11,409,823</u>	<u>441,605</u>
Expenditures				
Current:				
General Government	4,413,204	4,865,146	4,842,664	22,482
Security of Persons and Property	3,394,055	3,720,729	3,703,247	17,482
Public Health	283,873	306,886	306,886	0
Community Development	347,831	378,029	377,178	851
Transportation	636,120	710,583	694,020	16,563
Basic Utility	798,607	863,347	863,347	0
Leisure Time	232,950	255,941	251,894	4,047
Debt Service:				
Principal Retirement	114,800	114,800	114,800	0
Interest and Fiscal Charges	123,619	123,619	123,619	0
<i>Total Expenditures</i>	<u>10,345,059</u>	<u>11,339,080</u>	<u>11,277,655</u>	<u>61,425</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>984,762</u>	<u>(370,862)</u>	<u>132,168</u>	<u>503,030</u>
Other Financing Sources (Uses)				
Transfers Out	(610,000)	(610,000)	(610,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(610,000)</u>	<u>(610,000)</u>	<u>(610,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	374,762	(980,862)	(477,832)	503,030
<i>Fund Balance Beginning of Year (Restated, See Note 3)</i>	2,066,851	2,066,851	2,066,851	0
Prior Year Encumbrances Appropriated	75,801	75,801	75,801	0
<i>Fund Balance End of Year</i>	<u>\$ 2,517,414</u>	<u>\$ 1,161,790</u>	<u>\$ 1,664,820</u>	<u>\$ 503,030</u>

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Fire Levy Fund
 For the Fiscal Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 1,769,935	\$ 1,957,026	\$ 1,799,910	\$ (157,116)
Intergovernmental Revenue	454,381	316,348	456,319	139,971
Interest Income	19,585	13,635	19,668	6,033
<i>Total Revenues</i>	2,243,901	2,287,009	2,275,897	(11,112)
Expenditures				
Current:				
Security of Persons and Property	2,286,837	2,266,013	2,254,009	12,004
<i>Total Expenditures</i>	2,286,837	2,266,013	2,254,009	12,004
<i>Net Change in Fund Balance</i>	(42,936)	20,996	21,888	892
<i>Fund Balance Beginning of Year (Restated, See Note 3)</i>	82,433	82,433	82,433	0
Prior Year Encumbrances Appropriated	6,296	6,296	6,296	0
<i>Fund Balance (Deficit) End of Year</i>	\$ 45,793	\$ 109,725	\$ 110,617	\$ 892

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio

Statement of Net Assets

Proprietary Funds

December 31, 2006

	Business-Type Activities Enterprise Fund Sewer Maintenance
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 224,567
Accounts Receivable (Net of Allowance)	330,564
<i>Total Current Assets</i>	555,131
Non Current Assets:	
Depreciable Capital Assets, Net of Depreciation	5,802,380
<i>Total Non Current Assets</i>	5,802,380
<i>Total Assets</i>	6,357,511
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	4,511
Intergovernmental Payable	14,907
Accrued Salaries, Wages and Benefits	9,989
<i>Total Current Liabilities</i>	29,407
<i>Long Term Liabilities</i>	
Compensated Absences	23,920
<i>Total Long Term Liabilities</i>	23,920
<i>Total Liabilities</i>	53,327
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,802,380
Unrestricted	501,804
<i>Total Net Assets</i>	\$ 6,304,184

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended December 31, 2006

	Business-Type Activities Enterprise Fund Sewer Maintenance
Operating Revenues	
Charges for Services	\$ 1,244,483
<i>Total Operating Revenues</i>	1,244,483
Operating Expenses	
Personal Services	443,651
Contractual Service	605,029
Materials and Supplies	98,248
Depreciation	610,919
Other	20,209
<i>Total Operating Expenses</i>	1,778,056
<i>Operating Income (Loss)</i>	(533,573)
Non Operating Revenues (Expenses)	
Interest Income	22,351
<i>Total Non-Operating Revenues (Expenses)</i>	22,351
<i>Income (Loss) Before Transfers</i>	(511,222)
Transfers Out	(100,000)
<i>Change in Net Assets</i>	(611,222)
<i>Net Assets at Beginning of Year</i>	6,915,406
<i>Net Assets at the End of the Year</i>	\$ 6,304,184

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2006

	Business-Type Activities
	Enterprise Fund
	Sewer
	Maintenance
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 1,296,816
Cash Paid for Goods and Services	(826,140)
Cash Paid to Employees	(441,640)
	29,036
<i>Net Cash Provided By (Used For) Operating Activities</i>	
Cash Flows From Non-Capital Financing Activities	
Transfers Out	(100,000)
	(100,000)
<i>Net Cash Provided By (Used For) Non-Capital Activities</i>	
Cash Flows From Investing Activities	
Interest on Investments	22,351
	22,351
<i>Net Cash Provided By (Used For) Investing Activities</i>	
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(115,357)
	(115,357)
<i>Net Cash Used for Capital and Related Financing Activities</i>	
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(163,970)
<i>Cash and Cash Equivalents at Beginning of Year</i>	388,537
<i>Cash and Cash Equivalents at End of Year</i>	\$ 224,567
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (533,573)
Adjustments:	
Depreciation Expense	610,919
(Increase) Decrease in Assets:	
Accounts Receivable	(47,667)
Interfund Notes Receivable	100,000
Increase (Decrease) in Liabilities:	
Accounts Payable	(102,654)
Intergovernmental Payable	977
Accrued Salaries, Wages and Benefits	(25)
Compensated Absences	1,059
	562,609
<i>Total Adjustments</i>	
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 29,036

See accompanying notes to the basic financial statements.

City of Broadview Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 620,639
Cash in Segregated Accounts	<u>36,489</u>
<i>Total Assets</i>	<u><u>\$ 657,128</u></u>
Liabilities	
Undistributed Monies	<u>\$ 657,128</u>
<i>Total Liabilities</i>	<u><u>\$ 657,128</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, 2006

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City also has the option to apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. For the year ended December 31, 2006, the City has implemented Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*" and GASB Statement No. 46 "*Net Assets Restricted by Enabling Legislation*".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

There was no effect on fund balances as a result of the implementation of these new Standards. The most significant of the City's accounting policies are described below.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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.

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. Included in the statement of activities is a function titled "other." The costs of this function are related to business-type construction projects, funded by governmental funds. These assets were capitalized and transferred to business-type activities in a prior year. Program revenues reported in the current year represent the recognition of special assessments placed on the property owners related to the aforementioned business-type capital projects, which will be used to retire the special assessment debt reported as a governmental activities debt obligation.

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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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.

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

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

OWDA Bond Retirement - The OWDA bond retirement fund is used to account for the accumulation of resources for the payment of interest and principal on long term general obligation debt associated with the construction of a sanitary sewer system in the City of Broadview Heights. The debt shall be fully retired in 2021.

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

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

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

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

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits held for contractors and developers.

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Basis of Accounting

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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.

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, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue on modified accrual only. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department level. The appropriation ordinance may be amended during the year by action of Council, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among funds and departments may be modified during the year by an ordinance of council. During the year, several supplemental appropriation

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

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

Cash and Cash Equivalents

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 OWDA loans and agency fund activities.

During 2006, investments were limited to certificates of deposit, a money market investment, repurchase agreements, Federal National Mortgage Association Notes and STAROhio.

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

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price investments could be sold for on December 31, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to \$195,838, which includes \$89,758 assigned from other city funds.

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

Capital Assets

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of bridges, culverts, storm sewers, streets, traffic signals and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City Engineer's interpretation of historical records of necessary improvements and replacement. All reported capital assets except land and construction in progress are required to be depreciated using a depreciation method (specifically the straight line method) over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Construction in Progress	N/A	N/A
Buildings	10 - 45 Years	10 - 45 Years
Improvements	10 - 45 Years	10 - 45 Years
Furniture and Fixtures	10 - 15 Years	10 - 15 Years
Machinery and Equipment	10 - 15 Years	10 - 15 Years
Vehicles	10 - 15 Years	10 - 15 Years
Infrastructure	10 - 50 Years	10 - 50 Years

Interfund Balances

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

Compensated Absences

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

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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, 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 Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. The City reports amounts representing encumbrances and advances as reservations of the fund balance in governmental funds.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include recreation, street construction and repair and operation of the police and fire departments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services sewer services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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. There were no capital contributions in the current year.

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 2006.

Estimates

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

Note 3 – Restatement of Prior Year Fund Balances/Net Assets

The following is a summary of an adjustment to the beginning balances of the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund and fire levy fund, which is needed to agree with the actual cash balances of the City.

	General Fund	Fire Levy Fund
Fund Balance, December 31, 2005	\$ 2,077,295	\$ 81,111
Adjustment	(10,444)	1,322
Restated Fund Balance, December 31, 2005	\$ 2,066,851	\$ 82,433

City of Broadview Heights, Ohio
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For the Year Ended December 31, 2006

During the year, it was determined that a portion of the cost of an abandoned building owned by the City should have previously been allocated to land. This caused an overstatement of accumulated depreciation. The environmental abatement of the building has been completed and should also have been added to the cost of the land. There was also an understatement of special assessments receivable. The following is the effect on the beginning net assets as previously recorded:

	Governmental Activities
Net Assets, December 31, 2005	\$ 31,410,068
Additional Special Assessments	648,556
Additional Land Cost	677,282
Decrease in Accumulated Depreciation	112,500
Restated Net Assets, December 31, 2005	\$ 32,848,406

Note 4 – Fund Deficits

Fund balances at December 31, 2006 included the following individual fund deficits:

	Deficit Fund Balance
Fire Levy Fund	\$ 88,230
Nonmajor Governmental Funds:	
Avery Road Sanitary Sewer	5,356
Police Pension	86,465

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

Note 5 – Deposits and Investments

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

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

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

City of Broadview Heights, Ohio
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For the Year Ended December 31, 2006

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

Interim monies may be invested in the following securities:

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

Effective September 27, 1996, investments in stripped principal or interest obligations are no longer allowed to be purchased. Reverse repurchase agreements and derivatives are also prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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 public deposits. The face value of the pooled collateral must equal at least 105 percent of 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 \$525 in undeposited cash on hand which is included on the balance sheet of the City as part of equity in pooled cash and cash equivalents.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Deposits: The carrying value of the City's deposits totaled \$737,527 and the bank balances of the deposits totaled \$956,309. Of the bank balance \$137,269 was covered by depository insurance; and \$819,040 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, 2006, the City had the following investments:

Moody	Rating by:		Fair Value	Investment Maturities (in years)			Percentage of Total Investments
	Standard & Poor's	Investment		less than 1	1 - 3	Over 3	
Aaa		Federal National Mortgage Association	\$ 499,220	\$ 0	\$ 499,220	\$ 0	6.89%
	N/A	Repurchase Agreement	2,254,097	2,254,097	0	0	31.10%
	AAA	U.S. Treasury Notes	313,411	206,046	0	107,365	4.32%
	AAAm	Victory Federal Money Market	525,761	0	0	525,761	7.25%
	AAAm	StarOhio	3,656,009	3,656,009	0	0	50.44%
Totals			<u>\$ 7,248,498</u>	<u>\$ 6,116,152</u>	<u>\$ 499,220</u>	<u>\$ 633,126</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.

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).

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

	Net Change in Fund Balance	
	<u>General Fund</u>	<u>Fire Levy Fund</u>
GAAP Basis (as reported)	\$ (75,457)	\$ 10,299
Adjustments:		
Revenue accruals	(207,214)	(2,972)
Expenditure accruals	(89,897)	20,868
Encumbrances	<u>(105,264)</u>	<u>(6,306)</u>
Budget basis	<u>\$ (477,832)</u>	<u>\$ 21,889</u>

Note 7 – Transfers and Interfund Balances

Transfers are used to move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Interfund transfers for the year ended December 31, 2006, consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>				Total
	General Fund	Streets Capital Improvement	Other Governmental Funds	Sewer Maintenance	
General Bond Retirement	\$ 0	\$ 342,494	\$ 211,311	\$ 0	\$ 553,805
Other Governmental Funds	<u>610,000</u>	<u>802,582</u>	<u> </u>	<u>100,000</u>	<u>1,512,582</u>
Total	<u>\$ 610,000</u>	<u>\$ 1,145,076</u>	<u>\$ 211,311</u>	<u>\$ 100,000</u>	<u>\$ 2,066,387</u>

The transfers from the Streets Capital Improvement Fund to the Bond Retirement Fund were to pay for the debt issues for storm sewer and Broadview Center renovations. The transfers to other governmental funds were for road reconstruction projects. The other governmental funds receive revenue to pay the debt for ongoing improvements projects and transferred funds to the General Bond Retirement Fund. The Sewer Maintenance fund transferred funds to other governmental funds for a sanitary sewer project.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

At December 31, 2006, the only interfund obligation outstanding is an advance between other governmental funds that will be repaid some time in the future. The advances due to/from other funds consisted of the following:

	Advance From Other Funds
Advance To Other Funds	Other Governmental
Other Governmental	\$ 112,000

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.

Note 8 – Receivables

Receivables at December 31, 2006, consisted of taxes, special assessments, accounts (billings for user charged services), and intergovernmental receivables. All of these receivables are considered fully collectible.

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

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2006 was \$9.40 per \$1,000 of assessed value. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.33 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$6.95 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

rollback reductions is reimbursed to the City by the State of Ohio. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$ 564,136,540	95.03%
Public Utility Tangible Property	8,272,400	1.39%
Tangible Personal Property	<u>21,247,512</u>	<u>3.58%</u>
Total	<u>\$ 593,656,452</u>	<u>100.00%</u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2006. 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 2006 operations. The receivable is offset by deferred revenue.

Income Taxes

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 72.7% to the General Fund, 1% to the Fire Levy Special Revenue Fund, 16.5% to the Streets Capital Improvement Fund and and 9.8% to other governmental funds.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Local Government	\$ 68,795
Gasoline and Excise Tax	356,846
Permissive Tax	10,503
Estate Tax	201,828
Homestead/Rollback	186,696
State Disaster Relief Program	<u>647,426</u>
 Total	 <u><u>\$ 1,472,094</u></u>

Taxes Receivable

A summary of taxes receivable follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate Tax	\$ 3,959,057
Municipal Income Tax	2,496,455
Hotel/Motel Tax	<u>726</u>
 Total	 <u><u>\$ 6,456,238</u></u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Restated Balance 12/31/05	Additions	Reductions	Balance 12/31/06
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land and Improvements	\$ 2,405,232	\$ 0	\$ 0	\$ 2,405,232
Construction in Progress	11,208	2,095,347	0	2,106,555
Total Capital Assets, not being depreciated	2,416,440	2,095,347	0	4,511,787
<i>Capital Assets, being depreciated:</i>				
Buildings	5,926,941	0	0	5,926,941
Improvements	1,450,502	117,091	0	1,567,593
Furniture & Fixtures	34,642	0	0	34,642
Machinery & Equipment	1,449,034	315,928	(178,147)	1,586,815
Vehicles	2,969,996	201,794	(77,235)	3,094,555
Infrastructure				
Traffic Signals	421,560	21,647	0	443,207
Roads	17,794,226	0	0	17,794,226
Waterlines	10,715,637	0	0	10,715,637
Street Signs & Guard Rails	26,710	0	0	26,710
Storm Sewers	10,627,443	566,421	0	11,193,864
Total Capital Assets, being depreciated	51,416,691	1,222,881	(255,382)	52,384,190
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,174,296)	(119,539)	0	(1,293,835)
Improvements	(265,773)	(69,529)	0	(335,302)
Furniture & Fixtures	(19,475)	(2,566)	0	(22,041)
Machinery & Equipment	(762,813)	(302,684)	134,192	(931,305)
Vehicles	(1,899,114)	(348,799)	77,235	(2,170,678)
Infrastructure				
Traffic Signals	(244,692)	(23,636)	0	(268,328)
Roads	(9,327,616)	(578,439)	0	(9,906,055)
Waterlines	(4,435,831)	(178,848)	0	(4,614,679)
Street Signs & Guard Rails	(25,575)	(400)	0	(25,975)
Storm Sewers	(4,600,253)	(354,094)	0	(4,954,347)
Total Accumulated Depreciation	(22,755,438)	(1,978,534)	211,427	(24,522,545)
Total Capital Assets being depreciated, net	28,661,253	(755,653)	(43,955)	27,861,645
Governmental Activities Capital Assets, Net	\$ 31,077,693	\$ 1,339,694	\$ (43,955)	\$ 32,373,432

See Note 3 for an explanation of the restatement.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06
Business-Type Activities				
<i>Capital Assets, being depreciated:</i>				
Buildings	\$ 1,136,841	\$ 0	\$ 0	\$ 1,136,841
Machinery & Equipment	523,576	115,357	0	638,933
Vehicles	224,842	0	0	224,842
Infrastructure				
Sanitary Sewers	14,774,012	0	0	14,774,012
Total Capital Assets, being depreciated	16,659,271	115,357	0	16,774,628
Less Accumulated Depreciation:				
Buildings	(585,903)	(28,421)	0	(614,324)
Machinery & Equipment	(465,054)	(27,117)	0	(492,171)
Vehicles	(203,230)	(3,923)	0	(207,153)
Infrastructure				
Sanitary Sewers	(9,107,142)	(551,458)	0	(9,658,600)
Total Accumulated Depreciation	(10,361,329)	(610,919)	0	(10,972,248)
Business-Type Activities Capital Assets, Net	\$ 6,297,942	\$ (495,562)	\$ 0	\$ 5,802,380

Depreciation was charged as follows:

Governmental Funds:

General government	\$ 779,692
Security of persons and property	406,686
Community development	118,937
Leisure time activities	65,761
Transportation	607,458
	\$ 1,978,534
	\$ 1,978,534

Proprietary Funds:

Sewer maintenance	\$ 610,919
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City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 10 – Defined Benefit Pension Plans

Ohio Public Employee Retirement System

All City full-time employees, other than Police and Firemen, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan (TP), a cost sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and Combined plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

Plan members are required to contribute 9.0% of their annual covered salary to fund pension obligations and the City is required to contribute 13.70% for the year 2006. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS were \$630,773 for year ended December 31, 2006 and \$631,356 and \$601,111 for years ended December 31, 2005 and 2004 respectively.

Ohio Police and Firemen's Disability and Pension Fund

The City contributes to the Ohio Police and Firemen's Disability and Pension Fund (OP&F), a cost sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. The PFDPF provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Firemen's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and for 2006 the City was required to contribute 19.5% for police and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the PFDPF for police and firefighters were \$398,141 and \$293,908 for the year ending December 31, 2006, \$396,941 and \$287,399 for the year ended December 31, 2005, and \$374,406 and \$260,791 for the year ended December 31, 2004, or 72% of the required contributions for 2006, 100% of the required contributions for 2005 and 2004.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 11 – Postemployment Benefits

Ohio Public Employees Retirement System

In addition to providing pension benefits through Ohio Public Employee Retirement System ("System"), the System provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio Service Credit. Health care coverage for disability recipients and primary service recipients is also available. The Ohio revised code provides statutory authority for employee and employer contributions to the System. For 2006, member and employer contribution rates were consistent for all three plans. For local government employer units, the rate was 13.70% of covered payroll; 4.50% was the portion that was used to fund health care for the year, which amounted to \$202,635. The public safety employer rate was 16.93% and 4.50% was used to fund health care for the year, which amounted to \$3,701.

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

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005 (the latest information available), include a rate of return on investments of 6.50%. An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and about the 4.0% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase between .50% and 6.0% annually for the next eight years and 4.0% annually after eight years. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$31.3 billion and \$20.2 billion, respectively. As of December 31, 2005 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.1 billion. The Traditional Pension and Combined Plans has 369,214 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2005 valuation was 358,804.

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 cost.

Ohio Police and Firemen's Disability and Pension Fund

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the post-employment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

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

The City's actual contributions for 2006 that were used to fund post-employment benefits were \$158,062 for police and \$94,932 for fire. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

Note 12 – Compensated Absences

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

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

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

Note 13 – Long Term Obligations

General Obligation Bonds

Outstanding general obligation bonds consist of utility system and government building construction issues. General obligation bonds have been issued for governmental activities.

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

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
1977 Sidewalk Improvement	1983	5.25%	\$ 10,584
1988 Street Improvement	2008	7.38%	215,519
1989 Street Improvement	2009	7.00% - 7.14%	136,663
1991 Street Improvement	2009	6.77%	180,785
1999 Various Improvement	2019	4.50% to 5.65%	2,850,120
2000 Various Improvement	2013	4.60%	1,550,000
2003 Various Improvement	2013	4.20%	1,260,000
2003 Various Improvement	2023	4.58%	96,000
2004 Various Improvement	2024	3.00% - 5.00%	300,000
2006 Street Improvement	2026	3.75% - 5.00%	1,029,649
2006 Demolition Project	2026	3.75% - 5.00%	<u>621,476</u>
Total			<u>\$ 8,250,796</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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
2007	\$ 486,825	\$ 290,181	\$ 777,006
2008	503,525	270,370	773,895
2009	507,918	249,285	757,203
2010	528,935	227,502	756,437
2011	544,217	204,308	748,525
2012 - 2016	1,990,763	673,540	2,664,303
2017 - 2021	1,170,544	268,742	1,439,286
2022 - 2026	554,340	70,310	624,650
Total	\$ 6,287,067	\$ 2,254,238	\$ 8,541,305

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			
1988 Street Improvement	2008	7.38%	\$ 986,481
1989 Various Purpose	2009	7.00% to 7.14%	1,583,337
1990 Street Improvement	2010	7.845%	150,000
1991 Street Improvement	2009	6.77%	846,922
1994 Sewer Improvement	2014	5.50%	112,000
1995 Sewer Improvement	2015	6.38%	37,735
1999 Various Purpose	2019	4.5% to 5.65%	629,880
2001 Sewer Improvement	2021	6.10%	211,000
2003 Various Improvement	2023	4.20% to 4.58%	1,304,000
2004 Street Improvement	2024	3.00% to 5.00%	505,000
2006 Sewer Improvement	2026	3.75% - 5.00%	653,875
Total			\$ 7,020,230

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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
2007	\$ 361,261	\$ 193,578	\$ 554,839
2008	377,468	172,923	550,391
2009	333,641	151,087	484,728
2010	308,151	132,275	440,426
2011	228,429	114,988	343,417
2012 - 2016	867,215	442,412	1,309,627
2017 - 2021	912,856	230,989	1,143,845
2022 - 2025	475,661	47,724	523,385
Total	\$ 3,864,682	\$ 1,485,976	\$ 5,350,658

OWDA Loans

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

OWDA loans currently outstanding are as follows:

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

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

Year Ending December 31,	OWDA Loans		
	Governmental Activities		
	Principal	Interest	Total
2007	\$ 736,614	\$ 169,092	\$ 905,706
2008	799,828	121,926	921,754
2009	169,182	70,452	239,634
2010	176,240	63,395	239,635
2011	183,592	56,042	239,634
2012 - 2016	849,647	162,619	1,012,266
2017 - 2020	331,496	32,686	364,182
Total	\$ 3,246,599	\$ 676,212	\$ 3,922,811

Loan Payable

On Sept. 8, 2003 the City entered into a contract with the Department of Development of the State of Ohio for Brownfield Cleanup Revolving Loan Funds. The City was awarded \$637,417, 90% of which (\$573,675) is to be repaid at 0% interest over a period of 8 years and 10% was awarded as a grant.

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

Brownfield Cleanup Revolving Loan	
Year Ending December 31,	Governmental Activities Principal
2007	\$ 71,709
2008	71,709
2009	71,709
2010	71,709
2011	71,709
2012 - 2013	107,565
Total	\$ 466,110

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Changes in Long Term Liabilities

Long term liability activity for the year ended December 31, 2006 was as follows:

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06	Due Within One Year
<i>Governmental Activities:</i>					
Notes payable					
Interest rate is 3.3%, due 6/23/06	\$ 800,000	\$ 0	\$ (800,000)	\$ 0	\$ 0
Interest rate is 3.3%, due 6/23/06	78,500	0	(78,500)	0	0
	<u>878,500</u>	<u>0</u>	<u>(878,500)</u>	<u>0</u>	<u>0</u>

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06	Due Within One Year
<i>General Obligation Bonds</i>					
Street Improvement (1988) 7.375% through 2008	\$ 32,274	\$ 0	\$ (10,758)	\$ 21,516	\$ 10,758
Sewer Improvement (1989) 7.140% through 2009	35,309	0	(5,794)	29,515	6,851
Street Improvement (1989) 7.000% through 2009	9,518	0	(2,380)	7,138	2,380
Street Improvement (1991) 6.772 % through 2009	8,255	0	(1,150)	7,105	1,254
Sidewalk Improvements (1977) 5.250%	2,500	0	0	2,500	2,500
Broadview Center Improvement 4.961% through 2013	1,265,000	0	(130,000)	1,135,000	135,000
Various Purpose (1999) 4.50% - 5.65% through 2019	2,272,630	0	(114,662)	2,157,968	122,850
Service Building 4.20% through 2023	1,030,000	0	(120,000)	910,000	120,000
Street Improvements (2003) 4.58% through 2023	88,800	0	(3,600)	85,200 *	3,600
Building Improvements (2004) 4.50% - 5.65% through 2024	290,000	0	(10,000)	280,000	10,000
Street Improvements (2006) 3.75% - 5.00% through 2026	0	1,029,649	0	1,029,649	44,670
Demolition Project (2006) 3.75% - 5.00% through 2026	0	621,476	0	621,476	26,962
	<u>5,034,286</u>	<u>1,651,125</u>	<u>(398,344)</u>	<u>6,287,067</u>	<u>486,825</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06	Due Within One Year
<i>Special Assessment Bonds With City Commitment</i>					
Street Improvement (1988) 7.375% through 2008	\$ 147,727	\$ 0	\$ (49,242)	\$ 98,485	\$ 49,242
Sewer Improvement (1989) 7.140% through 2009	299,692	0	(49,203)	250,489	58,149
Street Improvement (1989) 7.000% through 2009	170,478	0	(42,622)	127,856	42,620
Street Improvement (1990) 7.850% through 2009	60,000	0	(10,000)	50,000	10,000
Street Improvement (1991) 6.772 % through 2009	386,747	0	(53,852)	332,895	58,746
Sewer Improvement (1994) 5.500% through 2014	54,000	0	(6,000)	48,000 *	6,000
Sewer Improvement (1995) 6.383% through 2015	24,000	0	(2,000)	22,000	2,000
Various Purpose (1999) 4.50% - 5.65% through 2019	502,370	0	(25,337)	477,033	27,150
Sewer Improvement (2001) 6.1% through 2021	186,394	0	(7,145)	179,249 *	7,586
Street Improvement (2003) 4.20% through 2013	740,000	0	(30,000)	710,000	30,000
Street Improvement (2003) 4.20% through 2023	190,000	0	(10,000)	180,000	10,000
Sewer Improvement (2003) 4.20% through 2023	281,200	0	(11,400)	269,800 *	11,400
Street Improvement (2004) 3.00% - 5.00% through 2024	485,000	0	(20,000)	465,000	20,000
Sewer Improvement (2006) 3.75% - 5.00% through 2026	0	582,448	0	582,448 *	25,269
Sewer Improvement (2006) 3.75% - 5.00% through 2026	0	71,427	0	71,427 *	3,099
	<u>3,527,608</u>	<u>653,875</u>	<u>(316,801)</u>	<u>3,864,682</u>	<u>361,261</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

	Balance 12/31/05	Additions	Reductions	Balance 12/31/06	Due Within One Year
<i>OWDA Loans</i>					
Interest rates vary from 4.04% to 9.78%, due through 2021	\$ 3,928,840	\$ 0	\$ (682,241)	\$ 3,246,599	\$ 736,614
<i>Brownfields Cleanup Revolving Loan</i>					
0% due 2015	537,819	0	(71,709)	466,110	71,709
Capital Lease	0	51,000	(11,002)	39,998	9,428
Compensated Absences	1,090,545	173,260	(50,758)	1,213,047	53,719
Total Governmental Activities	\$ 14,997,598	\$ 2,518,258	\$ (2,398,353)	\$ 15,117,503	\$ 1,719,556
<i>Business-Type Activities</i>					
Compensated Absences	\$ 22,861	\$ 3,050	\$ (1,991)	\$ 23,920	\$ 3,062
Total Business-Type Activities	\$ 22,861	\$ 3,050	\$ (1,991)	\$ 23,920	\$ 3,062

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

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

Note 14 - Capitalized Leases

Capital lease obligations relate to equipment which is leased under a long-term agreement. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the other governmental funds. These expenditures are 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 June 30, 2006.

Year	Amount
2007	\$ 11,002
2008	11,002
2009	11,002
2010	11,002
Total Minimum Lease Payments	44,008
Less Amount Representing Interest	4,010
Present Value of Minimum Lease Payments	<u>\$ 39,998</u>

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The assets being acquired have been capitalized in the governmental activities in the amount of \$51,000, which is the present value of the minimum lease payments at the inception of the lease.

Note 15 – Contractual Commitments

As of December 31, 2006, the City had contractual commitments for the following projects:

Vendor	Project	Contractual Commitment	Expended	Balance 12/31/06
Fabrizi Trucking and Paving	Avery Road Reconstruction	\$ 1,238,964	\$ 1,171,487	\$ 67,477
Baumann Enterprises, Inc.	Demolition Project	519,000	475,797	43,203
Specialized Construcion	Road Program	443,700	338,740	104,960
		<u>\$ 2,201,664</u>	<u>\$ 1,986,024</u>	<u>\$ 215,640</u>

Note 16 – Risk Management

Property and Liability

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

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

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

Medical

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

Note 17 – 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.

City of Broadview Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 18 – 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 2006, the City contributed \$4,500 for the Southwest Council of Governments annual dues. The City contributed \$3,000 in additional funds for the Southwest Emergency Response Team annual dues.

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

Note 19 – Other

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

At December 31, 2006, the abatement project has been completed and the demolition is in progress. The costs of the abatement are shown in land and land improvements, and the demolition is included in construction in progress.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

May 8, 2007

Mayor and Members of Council
City of Broadview Heights
Cuyahoga County, Ohio

INDEPENDENT AUDITOR'S 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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Broadview Heights (the "City") as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 8, 2007. 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

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 noted other immaterial matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated May 8, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*. In a separate letter dated May 8, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Rea & Associates, Inc.



Mary Taylor, CPA
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
JUNE 19, 2007**