



**CITY OF GARFIELD HEIGHTS  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF GARFIELD HEIGHTS  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual General Fund	20
Statement of Fiduciary Net Assets - Agency Funds	21
Notes to the Basic Financial Statements	22
Schedule of Federal Awards Expenditures	49
Notes to the Schedule of Federal Awards Expenditures	50
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	51
Report on Compliance With Requirements Applicable to its Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133	53
Schedule of Finding	55

**This page is intentionally left blank.**



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 - 1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Members of Council  
City of Garfield Heights  
Cuyahoga County  
5407 Turney Road  
Garfield Heights, Ohio 44125

We have audited the accompanying basic financial statements of the City of Garfield Heights, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City of Garfield Heights, Cuyahoga County, Ohio, as of December 31, 2000, and the results of its operations for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2000, the City adopted Governmental Accounting Standards Board Statements 33, 34, and 36 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2001, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

We performed our audit to form an opinion on the basic financial statements of the City taken, as a whole. The schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Jim Petro**  
Auditor of State

September 17, 2001

**This page intentionally left blank.**

**This page intentionally left blank.**

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

This Discussion and Analysis of The City of Garfield Heights' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2000. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2000 were as follows:

- ◆ Total net assets decreased \$206,250 or 1.5 percent from 1999.
- ◆ Total assets of governmental activities increased \$8.3 million, which represents a 17.2 percent increase over 1999.
- ◆ Total liabilities increased by \$8.5 million or 24.8 percent over 1999.
- ◆ In total, equity in pooled cash and cash equivalents increased \$1,052,489, or 47 percent, from 1999.
- ◆ Overall, the book value of capital assets increased by over \$6.18 million from 1999.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Garfield Heights as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

**Reporting the City of Garfield Heights as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2000?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services including police, fire, administration, and all other departments. The City of Garfield Heights does not operate any Business Type Activities and has no Component units.

**Reporting the City of Garfield Heights' Most Significant Funds**

***Fund Financial Statements***

The analysis of the City's major funds begins on page 8. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Garfield Heights, the City's major funds are the General, Bond Retirement, Street Resurfacing, and the Service Center Note 2000 Funds.

***Governmental Funds.*** All of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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 you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

**The City of Garfield Heights as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2000 compared to 1999.

(Table 1)  
 Net Assets

	Governmental Activities	
	2000	1999
<b>Assets</b>		
Current and Other Assets	\$19,353,998	\$17,190,553
Capital Assets, Net	37,408,958	31,223,863
<i>Total Assets</i>	<i>56,762,956</i>	<i>48,414,416</i>
<b>Liabilities</b>		
Current and Other Liabilities	(19,664,537)	(10,601,033)
Long Term Liabilities:		
Due Within One Year	(1,405,632)	(1,180,372)
Due in More than One Year	(21,941,782)	(22,675,756)
<i>Total Liabilities</i>	<i>(43,011,951)</i>	<i>(34,457,161)</i>
<b>Net Assets</b>		
Invested in Capital Assets Net of Debt	10,608,146	9,237,240
Restricted:		
Capital Projects	0	7,551
Debt Service	3,621,974	3,952,529
Unrestricted	(479,115)	759,935
<i>Total Net Assets</i>	<i>\$13,751,005</i>	<i>\$13,957,255</i>

Total assets increased \$8.3 million. Equity in pooled cash and cash equivalents increased \$1.05 million. Capital assets increased \$6.19 million.

Net assets of the City's governmental activities decreased by \$206,250, with unrestricted net assets decreasing \$1,239,050. Unrestricted assets are not enough to pay liabilities payable from unrestricted assets. This has been identified for the first time by the presentation of the new financial statements. Management will discuss the long-term effect for the City.

The City of Garfield Heights is attempting to stabilize certain long-term liabilities such as compensated absences. Over the past few years the City has successfully negotiated various forms of accumulated vacation and sick leave buy backs. To this extent, the employee's may elect to "cash-in" a certain number of hours of these accrued leave balances in lieu of banking them for future use. This program is a win-win situation for the

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

employees and the City. The employee has the option of taking these dollars and investing in the Deferred Compensation Program, which offers many mutual fund options as well as fixed income programs if desired by the employee. The City wins as we are buying these hours of accumulated sick leave at today's hourly rate of pay instead of the employee's hourly rate at some point in the future.

Table 2 shows the Changes in Net Assets for the year ended December 31, 2000. Since this is the first year the City has prepared financial statements following GASB Statement 34, revenue and expense comparisons to 1999 are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

(Table 2)  
 Changes in Net Assets

	Governmental Activities 2000
<b>Revenues</b>	
Program Revenues:	
Charges for Services	\$3,513,498
Operating Grants and Contributions	1,283,279
Capital Grants and Contributions	47,607
	4,844,384
<i>Total Program Revenues</i>	
General Revenues:	
Property Taxes	6,633,648
Income Taxes	9,191,039
Grants and Entitlements not Restricted to Specific Programs	3,184,164
Other	580,445
	19,589,296
<i>Total General Revenues</i>	
<i>Total Revenues</i>	24,433,680
<b>Program Expenses</b>	
General Government	7,183,714
Security of Persons and Property	9,585,455
Public Health Services	554,561
Transportation	2,086,464
Community Development	296,730
Basic Utility	2,414,706
Leisure Time Activities	1,063,572
Interest and Fiscal Charges	1,454,728
	24,639,930
<i>Total Expenses</i>	
<i>Decrease in Net Assets</i>	(\$206,250)

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

The reduction in Net Assets identified in Table 2 was due to expenses exceeding revenues during 2000.

***Governmental Activities***

Several revenues sources fund our Governmental Activities. Under the accrual basis of accounting, the City Income Tax accounted for \$9,191,039 or 37.62 percent of gross revenue; revenues from charges for services and grants and entitlements, such as local government funds, accounted for \$6,492,791 or 26.58 percent of gross revenues; and property taxes accounted for \$6,633,648 or 27.44 percent of gross revenues. The income tax rate of 2.0 percent was approved by a vote of our citizens in 1982, which took effect in January of 1983.

On the cash basis of accounting, the City was able to increase its Income Tax collections, through the decade of the 90's, by 60.71 percent, from gross collections in 1990 of \$5,560,655 to gross collections in 2000 of \$8,936,783. The majority of this increase was due to an aggressive economic development program and the development of two commercial districts of the City, these being the Broadway Avenue/McCracken Road Development District and the I-480/ Transportation Blvd. Development District. Although much of this development has been accomplished through the use of Property Tax Incentives (such as Property Tax Abatement), the loss in property taxes collected has been more than offset by the increases in the Income Tax collections. Furthermore, the earliest of these agreements are beginning to come to an end, thus the full benefit of this development will begin to be realized by the City within the next few years.

Major expense activities, under the accrual basis of accounting, included: Security of Persons and Property expenses accounting for 38.90 percent of total program expenses, and Transportation accounting for 8.47 percent. The City is committed to providing the basic services that our residents expect.

Although the City has worked very hard on increasing our income tax base by being proactive with new businesses in our City and reducing cost department by department, we still strive to provide a better service at a lower cost per man-hour. The ability of the City to continue to provide quality services without income tax increases rests on City management's ability to keep these costs in line.

**The City's Funds**

Information about the City's major governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$24.5 million and expenditures of \$31.3 million. The most significant change in our funds was due to the establishment of the Service Center Note 2000 fund, and the issuance of \$6 million in notes payable for the construction of our new Service Garage Complex. It is important to realize that all short-term notes issued by the City are recognized in the current period as short-term liabilities, and once bonded by the City, they become long-term General Obligation Debt of the City.

The fund balance of the general fund remained relatively constant, increasing by \$203,346, while revenues exceeded expenditures by \$1.5 million. Much of the excess was transferred to other funds. These funds used the transfers for street maintenance, senior citizens programs, and for payment of pension obligations.

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2000, the City amended its general fund budget. All recommendations for a budget change come from the City Finance Director to the Finance Committee of Council for review before going to the whole Council for ordinance enactment on the change. The City does not allow budget changes that modify line items within departments without council approval. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

For the General Fund, original budgeted revenues were \$16,310,203; final budget amounts were \$ 17,057,680; and actual revenue collections were \$ 17,370,215. Three major factors contributing to the increase of actual revenues over budgeted amounts were increased revenues for the categories of Intergovernmental, Property and Other Taxes, and Charges for Services.

The City of Garfield Heights' ending unencumbered cash balance in the general fund was \$283,688 above the final budgeted amount.

**Capital Assets and General Long-Term Obligations**

***Capital Assets***

Table 3  
 Capital Assets at December 31, 2000  
 (Net of Depreciation)

	Governmental Activities	
	2000	1999
Land	\$1,291,649	\$1,288,723
Buildings	5,766,893	5,956,929
Improvements Other than Buildings	2,733,831	2,805,714
Vehicle	1,805,071	1,765,463
Machinery and Equipment	1,725,202	1,457,558
Furniture and Fixtures	352,444	301,966
Construction in Progress	6,006,148	0
Infrastructure	17,727,720	17,647,510
Total	\$37,408,958	\$31,223,863

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

The primary increase occurred in Construction in Progress. This construction consists of a 5 building Service Garage Complex. At December 31, 2000, the Construction in Progress total for the complex was slightly over 6 million dollars. Construction of the complex is expected to be completed by mid-summer 2001, with occupancy by the City's Service Department shortly thereafter. The City does not depreciate Building assets during construction. Upon completion and occupancy of the structure, total construction costs will be added to the Building Asset line above and depreciation will begin at that time.

Infrastructure asset additions added in 2000 were due to the development of residential housing sub-divisions. It is important to realize that the City expended no resources for these infrastructure assets. Per the City's sub-division regulations, the developer places all infrastructure improvements within the sub-division and upon completion of the improvement the asset reverts to the City for future maintenance and repair.

***General Long-Term Obligations***

At December 31, 2000 the City of Garfield Heights had \$26,622,000 in outstanding General Obligation Bonds, Special Assessment Bonds, and Notes. The City's overall legal debt margin at December 31, 2000 was \$27,442,309. Table 4 indicates the total outstanding long-term obligations of the City.

Table 4  
 Outstanding Notes and Long-Term Obligations at Year End

	Governmental Activities	
	2000	1999
General Obligation Bonds	\$16,815,716	\$17,375,922
Special Assessment Bonds	1,706,284	1,803,078
Notes	8,100,000	2,450,000
Police and Fire Loan	721,874	730,997
Loans Payable	178,812	357,623
Claims	443,258	406,855
Compensated Absences	3,481,470	3,181,653
 Total	 \$31,447,414	 \$26,306,128

The police and fire loan shown in Table 4 above, in the amount of \$ 721,874, identifies the City's accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. Actual cash demands for this obligation total \$40,094 annually through the year 2035.

The loan payable identified above refers to a financing agreement that the City entered into, with Key Financial Services, in order to finance vehicle purchases in 1999. The original agreement was in the amount of \$357,623, and called for two equal annual payments in 2000 and 2001 in order to alleviate the liability. Therefore, the \$178,812 liability identified at December 31, 2000 has always been a planned, programmed 2001 actual dollar expenditure.

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

The claims payable identified above refers to the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2000.

The compensated absences liability identified above refers to the current balance of what has been earned as a termination benefit that will be paid over time as people leave or retire. An analysis of the past two years of pay outs of accumulated banks shows that, on average the City paid out \$115,566 annually for actual compensated absence payments. Additionally, slightly over \$ 479,000 of this liability refers to vacation pay for Security of Persons and Property employees. Under GAAP reporting, this liability must be reported as a compensated absence at year-end, due to contract language to the effect that the employee has "earned" this compensation. The City budgets for this portion of the liability annually, in the current years departmental salary and wages budgets.

### **Current Financial Related Activities**

As is the case with many governmental agencies, dated infrastructure can be a problem, however, over the past 15 years, the City has taken a proactive stance in regards to dated infrastructure and plans to continue this effort of improving infrastructure as the need arises.

Annually the City's engineer inspects roadways and suggests the worst for repair. Over the past 15 years the City has expended on average \$ 750,000 annually on various roadway maintenance resurfacing projects. The 2001 roadway maintenance program is estimated at 2 million dollars. Additionally, over the past 10 years, the City has converted 2 of the last 3 septic sanitary tank areas, to sanitary sewer service. This development has been accomplished through the use of Federal and State grant funding; the issuance of special assessment bond issues, payable over 20 years by the affected property owners; and the issuance of general obligation debt.

During this same time period, the City has renovated its Justice Center, which houses both the Police Department and the Garfield Heights Municipal Court System; has constructed a new Civic Center/Administration Building, which houses our Administrative Offices and our Senior Citizens Programs; a new Fire Station; and is currently building a new Service Garage Complex.

The City has also purchased and paid cash for over 2 million dollars worth of vehicles and equipment over the past 5 years. Some of the items included in these purchases have been: a new pumper truck and ambulance for the fire department; on average 7 new police cruisers per year; 3 new 13-passenger buses for our senior citizen programs; and a variety of pickup trucks, vans, salt trucks, low pro dump trucks, and other road and non-road equipment for our service and recreation departments. New network computer systems for the City's police department, municipal court system, and main administrative operations were also purchased throughout this time period.

The continuation, and expansion, of the City's aggressive economic development programs, instituted in the 90's, is an integral part of the City's future plans and financial stability. To this extent, the City is concentrating on two major areas of commercial/industrial development, the Broadway Ave./McCracken Road Development District and the I-480/Transportation Blvd. Development District. Both of these districts offer excellent access to the Interstate Highway System via I-480 access from Broadway Ave. and Transportation Blvd. respectively. The residents of the City have been very receptive to this increased development within the City and have shown

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

their acceptance through numerous rezoning issues placed before them throughout the 90's. The two zoning districts added in the early 90's to accomplish the City's economic development plans were U11-A: Office Parks and U11-B: Industrial Parks.

New development and expansion, under the zoning districts identified above, is continuing in the Broadway Ave./McCracken Road Development District. In the fall of 2000 another newly constructed facility was completed in this area and occupancy by the owner took place. Currently, the City is in the process of amassing a 3-acre plot of land through our Land Revitalization Program. This plot will be combined with another 5-acre plot that is currently in the Land Program, to be offered by the City for future development. Another factor that the City expects to increase development in this district over the next 5 – 10 years is the decision by the Norfolk/Southern Railroad to locate a new Intermodal Facility off Broadway Avenue in our sister City of Maple Heights. This facility will be located about a mile and a half from the Garfield Heights border. Access to the Interstate Highway system from this location will be via the Broadway Avenue entrance, which is in Garfield Heights. The railroad began construction of this facility in the spring of 2001 and it should be operational by late fall or early spring 2002.

New development and expansion is also continuing in the I-480/Transportation Development District. Through the 90's, the City's economic development programs were responsible for the development of 5 multi-million dollar Office/Flex Space facilities in this development district. Currently, the first of another two building site is under construction and is expected to be completed by the fall of 2001, at which time the developer expects to begin the 2<sup>nd</sup> building. Additionally, the City was again successful in rezoning a section of this area from residential to the U11 designation. A developer has now amassed this plot of land for future development, which will become a part of the proposed "Rockside Vista" development project. The local land owner/developer proposed this projected, U11-A: Office Park development during the late 1990's. It involves the extension of Transportation Blvd. through to Rockside Road and will encompass the development of 600 acres of undeveloped land, 200 acres in Garfield Heights and 400 acres in our neighboring community of Valley View. The proposed project will entail the construction of 6 million square feet of building space, which will include office, convention, light industry, hotel, and restaurant space. This project is estimated to cost \$ 1 billion-plus dollars, and will be constructed over a 10-year period. At December 31, 2000 the City and developer were awaiting final EPA approval for this project as it also encompasses the reclamation of 200 acres of brownfield landfill property. Subsequent events are noteworthy here. In April 2001, the City and developer were notified that the project has received final Ohio EPA approval, and on May 18, 2001 there was a ceremonial ground breaking ceremony, and the developer set a start date for the beginning of the project for June 2001.

**City of Garfield Heights**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2000*  
*Unaudited*

The City of Garfield Heights would like to personally thank Mr. Jim Petro our State Auditor and his staff for their involvement and tremendous amount of help in putting together these statements.

**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Richard W. Obert, CPA, City of Garfield Heights, Finance Director, 5407 Turney Road, Garfield Heights, Ohio 44125, 216-475-1100.

**City of Garfield Heights, Ohio**  
Statement of Net Assets  
December 31, 2000

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,269,733
Cash and Cash Equivalents With Fiscal Agents	5,972
Receivables:	
Taxes	10,655,429
Accounts Intergovernmental	119,535
Intergovernmental	2,023,216
Prepaid Items	71,594
Materials and Supplies Inventory	36,699
Special Assessments Receivable	3,171,820
Land and Construction in Progress	7,297,797
Depreciable Capital Assets, Net	30,111,161
<i>Total Assets</i>	56,762,956
 <b>Liabilities</b>	
Accounts Payable	562,918
Contracts Payable	765,337
Accrued Wages	130,532
Retainage Payable	377,049
Intergovernmental Payable	713,422
Deferred Revenue	8,430,633
Matured Bonds and Interest Payable	5,972
Accrued Interest Payable	419,601
Notes Payable	8,100,000
Claims Payable	159,073
Long-Term Liabilities:	
Due Within One Year	1,405,632
Due Within More Than One Year	21,941,782
<i>Total Liabilities</i>	43,011,951
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	10,608,146
Restricted for Debt Service	3,621,974
Unrestricted	(479,115)
<i>Total Net Assets</i>	\$13,751,005

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2000

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$7,183,714	2,347,503	0	47,607	(\$4,788,604)
Security of Persons and Property	9,585,455	406,761	89,246	0	(9,089,448)
Public Health Services	554,561	27,465	63,981	0	(463,115)
Transportation	2,086,464	183,322	949,464	0	(953,678)
Community Development	296,730	135,725	118,697	0	(42,308)
Basic Utility	2,414,706	0	54,750	0	(2,359,956)
Leisure Time Activities	1,063,572	412,722	7,141	0	(643,709)
Interest and Fiscal Charges	1,454,728	0	0	0	(1,454,728)
<b>Totals</b>	<b>\$24,639,930</b>	<b>\$3,513,498</b>	<b>\$1,283,279</b>	<b>\$47,607</b>	<b>(19,795,546)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	4,757,120
Special Revenue	707,834
Debt Service	822,290
Capital Outlay	346,404
Income Taxes Levied for:	
General Purposes	6,896,218
Special Revenue	1,099,475
Debt Service	643,647
Capital Outlay	551,699
Grants and Entitlements not Restricted to Specific Program:	3,184,164
Investment Earnings	26,061
Miscellaneous	554,384
<b>Total General Revenues</b>	<b>19,589,296</b>
Change in Net Assets	(206,250)
<i>Net Assets Beginning of Year - (See Note 3)</i>	<u>13,957,255</u>
<i>Net Assets End of Year</i>	<u><u>\$13,751,005</u></u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**

Balance Sheet

Governmental Funds

December 31, 2000

	General	Bond Retirement	Street Resurfacing	Service Center Note 2000
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$688,042	\$157,936	\$24,309	\$1,382,794
Cash and Cash Equivalents With Fiscal Agents	0	5,972	0	0
Receivables:				
Taxes	7,824,790	1,180,312	0	0
Accounts	110,509	0	0	0
Intergovernmental	1,572,602	56,056	0	0
Special Assessments	0	3,171,820	0	0
Prepaid Items	70,739	0	0	0
Materials and Supplies Inventory	17,375	0	0	0
<i>Total Assets</i>	<u>\$10,284,057</u>	<u>\$4,572,096</u>	<u>\$24,309</u>	<u>\$1,382,794</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$302,643	\$0	\$0	\$0
Contracts Payable	0	0	134,425	601,851
Accrued Wages	101,392	0	0	0
Retainage Payable	0	0	0	339,693
Intergovernmental Payable	286,102	1,060	0	0
Deferred Revenue	8,401,369	4,374,253	0	0
Matured Bonds and Interest Payable	0	5,972	0	0
Accrued Interest Payable	0	0	86,438	250,250
Notes Payable	0	0	2,100,000	6,000,000
Claims Payable	130,398	0	0	0
<i>Total Liabilities</i>	<u>9,221,904</u>	<u>4,381,285</u>	<u>2,320,863</u>	<u>7,191,794</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	41,008	0	0	13,800
Reserved for Inventory	17,375	0	0	0
Unreserved, Undesignated, Reported in:				
General Fund	1,003,770	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	190,811	0	0
Capital Projects Funds	0	0	(2,296,554)	(5,822,800)
<i>Total Fund Balances</i>	<u>1,062,153</u>	<u>190,811</u>	<u>(2,296,554)</u>	<u>(5,809,000)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,284,057</u>	<u>\$4,572,096</u>	<u>\$24,309</u>	<u>\$1,382,794</u>

See accompanying notes to the basic financial statements

**City of Garfield Heights**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2000*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Funds Balances</b>	(\$7,268,126)
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$1,016,652	\$3,269,733	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,408,958
0	5,972	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:	
1,650,327	10,655,429	Property Taxes (Delinquent)	908,992
9,026	119,535	Grants	868,597
394,558	2,023,216	Income Taxes	2,071,964
0	3,171,820	Charges for Services	19,126
855	71,594	Special Assessments	<u>3,171,820</u>
<u>19,324</u>	<u>36,699</u>	Total	7,040,499
<u>\$3,090,742</u>	<u>\$19,353,998</u>	Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:	
\$260,275	\$562,918	General Obligation Bonds	(16,815,716)
29,061	765,337	Special Assessment Bonds	(1,706,284)
29,140	130,532	Loan	(178,811)
37,356	377,049	Compensated Absences	(3,481,470)
426,260	713,422	Police and Fire Liability	(721,874)
2,695,511	15,471,133	Accrued Interest	(82,913)
0	5,972	Claims	<u>(443,258)</u>
0	336,688	Total	<u>(23,430,326)</u>
0	8,100,000	<i>Net Assets of Governmental Activities</i>	<u>\$13,751,005</u>
<u>28,675</u>	<u>159,073</u>		
<u>3,506,278</u>	<u>26,622,124</u>		
160,726	215,534		
19,324	36,699		
0	1,003,770		
102,976	102,976		
0	190,811		
<u>(698,562)</u>	<u>(8,817,916)</u>		
<u>(415,536)</u>	<u>(7,268,126)</u>		
<u>\$3,090,742</u>	<u>\$19,353,998</u>		

**City of Garfield Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2000*

	General	Bond Retirement	Street Resurfacing	Service Center Note 2000	Other Governmental Funds
<b>Revenues</b>					
Property and Other Taxes	\$4,822,241	\$827,820	\$0	\$0	\$1,011,146
Municipal Income Tax	6,490,164	605,749	0	0	1,557,640
Charges for Services	1,818,161	0	0	0	628,876
Licenses and Permits	147,447	0	0	0	77
Fines and Forfeitures	453,838	0	0	0	359,886
Intergovernmental	3,365,877	115,965	0	0	1,444,458
Special Assessments	0	224,878	0	0	0
Interest	25,883	0	0	0	178
Rentals	27,545	0	0	0	45,000
Other	393,943	0	0	0	160,364
<i>Total Revenues</i>	<u>17,545,099</u>	<u>1,774,412</u>	<u>0</u>	<u>0</u>	<u>5,207,625</u>
<b>Expenditures</b>					
Current:					
General Government	6,739,323	0	0	0	0
Security of Persons and Property	7,699,311	0	0	0	1,416,961
Public Health Services	163,642	0	0	0	340,431
Street Maintenance and Repair	0	0	0	0	1,681,373
Community Development	93,940	0	0	0	201,176
Basic Utility	1,333,378	0	0	0	413,468
Leisure Time Activities	0	0	0	0	970,288
Capital Outlay	0	0	511,111	5,558,750	1,908,925
Debt Service:					
Principal Retirement	18,186	657,000	0	0	169,748
Interest and Fiscal Charges	2,144	981,020	168,349	250,250	53,775
<i>Total Expenditures</i>	<u>16,049,924</u>	<u>1,638,020</u>	<u>679,460</u>	<u>5,809,000</u>	<u>7,156,145</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,495,175</u>	<u>136,392</u>	<u>(679,460)</u>	<u>(5,809,000)</u>	<u>(1,948,520)</u>
Proceeds from Sale of Fixed Assets	24,141	0	0	0	0
Operating Transfers In	0	191,413	99,775	0	1,678,666
Operating Transfers Out	(1,313,665)	(464,777)	0	0	(191,412)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,289,524)</u>	<u>(273,364)</u>	<u>99,775</u>	<u>0</u>	<u>1,487,254</u>
<i>Net Change in Fund Balances</i>	205,651	(136,972)	(579,685)	(5,809,000)	(461,266)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	858,807	327,783	(1,716,869)	0	55,947
Increase (Decrease) in Reserve for Inventory	(2,305)	0	0	0	(10,217)
<i>Fund Balances End of Year</i>	<u>\$1,062,153</u>	<u>\$190,811</u>	<u>(\$2,296,554)</u>	<u>(\$5,809,000)</u>	<u>(\$415,536)</u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2000*

	<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$6,781,272)
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$6,661,207	Governmental funds report capital outlays as expenditures.	
8,653,553	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 outlays exceeded depreciation in the current period.	6,212,081
2,447,037		
147,524	Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(26,986)
813,724		
4,926,300	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
224,878	Property Taxes	(43,192)
26,061	Income Taxes	(541,408)
72,545	Estate Tax	20,183
554,307	Gasoline Tax	33,242
	Local Government	299,635
	Grants	(81,287)
	Charges for Services	(19,126)
	Special Assessments	224,878
24,527,136	<b>Total</b>	<b>(107,075)</b>
	Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	844,934
	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	810
	Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
6,739,323	Compensated Absences	(299,817)
9,116,272	Change in Inventory	(12,522)
504,073	Claims Payable	(36,403)
1,681,373	<b>Total</b>	<b>(348,742)</b>
295,116		
1,746,846	<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$206,250)</u></u>
970,288		
7,978,786		
844,934		
1,455,538		
31,332,549		
(6,805,413)		
24,141		
1,969,854		
(1,969,854)		
24,141		
(6,781,272)		
(474,332)		
(12,522)		
(\$7,268,126)		

**City of Garfield Heights, Ohio**  
*Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2000*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$4,500,000	\$4,642,495	\$4,767,092	\$124,597
Municipal Income Tax	6,500,000	6,750,000	6,702,587	(47,413)
Charges for Services	1,590,000	1,675,270	1,785,740	110,470
Licenses and Permits	125,000	128,155	135,725	7,570
Fines and Forfeitures	450,000	455,000	453,838	(1,162)
Intergovernmental	2,715,203	2,910,260	3,074,424	164,164
Interest	20,000	35,000	25,883	(9,117)
Rentals	20,000	35,000	27,545	(7,455)
Other	390,000	426,500	397,381	(29,119)
<i>Total Revenues</i>	<u>16,310,203</u>	<u>17,057,680</u>	<u>17,370,215</u>	<u>312,535</u>
<b>Expenditures</b>				
Current:				
General Government	6,962,000	7,054,773	6,957,357	97,416
Security of Persons and Property	7,417,500	7,471,494	7,606,223	(134,729)
Public Health and Welfare	162,200	163,837	162,824	1,013
Community Environment	90,500	94,515	93,173	1,342
Basic Utility	<u>1,326,000</u>	<u>1,338,696</u>	<u>1,331,726</u>	<u>6,970</u>
<i>Total Expenditures</i>	<u>15,958,200</u>	<u>16,123,315</u>	<u>16,151,303</u>	<u>(27,988)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>352,003</u>	<u>934,365</u>	<u>1,218,912</u>	<u>284,547</u>
<b>Other Financing Uses</b>				
Sale of Fixed Assets	25,000	25,000	24,141	(859)
Operating Transfers Out	<u>(1,313,665)</u>	<u>(1,313,665)</u>	<u>(1,313,665)</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures and Other Financing Uses</i>	(936,662)	(354,300)	(70,612)	283,688
<i>Fund Balances Beginning of Year</i>	60,403	60,403	60,403	0
Unexpended Prior Year Encumbrances	<u>223,802</u>	<u>223,802</u>	<u>223,802</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>(\$652,457)</u>	<u>(\$70,095)</u>	<u>\$213,593</u>	<u>\$283,688</u>

See accompanying notes to the basic financial statements

**City of Garfield Heights, Ohio**  
*Statement of Fiduciary Net Assets*  
*Agency Funds*  
*December 31, 2000*

---

---

	<u>Total</u>
<b>Assets</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$359,235</u>
<b>Liabilities</b>	
Deposits Held and Due to Others	<u>\$359,235</u>
See accompanying notes to the basic financial statements	

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

**Note 1 - Description of the City and Reporting Entity**

The City of Garfield Heights is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on November 6, 1956. The City is governed under the mayor-council form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes and performs the judicial functions of the City. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also executes all contracts, conveyances, and evidences of indebtedness of the City.

Legislative authority is vested in an eight member council with seven members elected from wards and the president of Council elected at large. Council members are elected to two year terms. The president of Council presides at Council meetings. Council enacts ordinances and resolutions relating to tax levies and appropriates and borrows money.

The Board of Control approves all bids and is made up of four Council members (the president of Council and the Finance Committee) and four administrators ( the mayor, law director, finance director, and service director).

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Garfield Heights this includes police and fire protection, emergency medical services, municipal court, parks, recreation, planning, zoning, street maintenance and repairs.

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 organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The City is associated with the Northeast Ohio Public Energy Council and the First Suburbs Consortium of Northeast Ohio Council of Governments, jointly governed organizations. Information about the organizations is presented in Note 15 to the combined financial statements.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City of Garfield Heights have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

***A. 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 Statement of Net Assets presents the financial condition of the governmental 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 of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore 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 governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental 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.

***B. 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. The City has two categories of funds, governmental and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

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 charter of the City of Garfield Heights and/or the general laws of Ohio.

**Bond Retirement Fund** The bond retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Street Resurfacing Capital Projects Fund** The street resurfacing capital projects fund accounts for financial resources to be used for the repair, construction, or improvement of streets.

**Service Center Note 2000 Capital Projects Fund** The service center capital projects fund accounts for note proceeds to be used to construction a service center capital facility.

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

***Fiduciary Fund***

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 purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

***C. 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.

Fiduciary funds are reported using the economic resources measurement focus.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

***D. 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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year-end.

Nonexchange 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 fiscal year for which the taxes are levied. See Note 6. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange 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 taxed, interest, tuition, grants, fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2000, but which were levied to finance year 2001 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

***E. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

***Tax Budget*** During the first Council meeting in July, the Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

***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, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for the fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

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

***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. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

***F. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The City had no investments during the year or at year end.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2000 amounted to \$25,883, which includes \$23,249 assigned from other City funds.

The City utilizes a financial institution to service bonded debt as principal and interest come due. The balances of these accounts are presented as "Cash and Cash Equivalents with Fiscal Agents." The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" and represent deposits.

For presentation on the financial statements, investments of the cash management pool and investments not purchased from the pool with an original maturity of three months or less are considered to be cash equivalents.

***G. Inventory***

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when purchased.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

***I. 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. The City's infrastructure consists of roads, sanitary sewers, storm sewers and water supply 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's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land	N/A
Buildings and Improvements	5 - 50 years
Equipment	3 - 25 years
Vehicles	3 - 7 years
Furniture and Fixtures	7 - 10 years
Infrastructure	10 - 99 years

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive the compensation are attributable to services already rendered and it is probable that the City 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 includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the City's termination policy.

Overtime is paid for in the period in which it was worked, except for the Police and Fire Department employees, who may accumulate overtime within statutory limits. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

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

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

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.

***K. Accrued and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

***L. Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances and inventories are recorded as a reservation of fund balance.

***M. 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 adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***N. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

***O. 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 2000.

***P. 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 2 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	General
GAAP Basis	\$205,651
Net Adjustment for Revenue Accruals	209,693
Note Proceeds	0
Unrecorded Cash	(384,577)
Net Adjustment for Expenditure Accruals	650
Debt Retirement:	
Principal Retirement	18,186
Interest and Fiscal Charges	2,144
Encumbrances	(122,359)
Budget Basis	(\$70,612)

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

*Changes in Accounting Principles* For 2000, the City has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues.”

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 1999, caused by the conversion to the accrual basis of accounting.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2000

	General	Bond Retirement	Street Resurfacing	Nonmajor	Total
Fund Balances, December 31, 1999	\$788,381	\$327,783	(\$1,716,869)	\$44,788	(\$555,917)
Implementation of GASB Interpretation No. 6	70,426	0	0	11,159	81,585
Adjusted Fund Balance, December 31, 1999	<u>858,807</u>	<u>327,783</u>	<u>(1,716,869)</u>	<u>55,947</u>	(474,332)
Capital Assets Net of Related Debt					12,044,863
Long-Term Liabilities					(4,756,930)
Long-Term (Deferred) Assets					<u>7,143,654</u>
Governmental Activities Net Assets, December 31, 1999					<u>\$13,957,255</u>

**Note 4 - Accountability and Compliance**

**A. Accountability**

The following funds had deficit fund balances as of December 31, 2000:

*Special Revenue Funds*

Police Pension	\$163,160
Fire Pension	156,411
State Highway	1,660
Federal Nutrition	2,787

*Capital Projects Funds*

Permanent Improvement	\$44,307
Street Resurfacing	1,716,869
Vehicle and Equipment	359,547

The special revenue deficits are caused by the recognition of expenditures on the modified accrual basis of accounting which are substantially greater than expenditures recognized on the cash basis. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Capital projects fund deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2000

**B. Compliance**

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Revised Code.

Fund/Program/Activity	Appropriations	Expenditures Plus Encumbrances	Excess
<b>General Fund</b>			
<i>General Government</i>			
Materials and Supplies	\$602,250	\$627,721	\$25,471
Capital Outlay	132,000	149,949	17,949
<i>Security of Persons and Property</i>			
Police Department			
Personal Services	4,137,500	4,239,236	101,736
Materials and Supplies	41,500	50,767	9,267
Contractual Services	293,351	295,090	1,739
<i>Security of Persons and Property</i>			
Fire Department			
Personal Services	2,742,500	2,761,770	19,270
<b>Special Revenue Funds</b>			
<b>Street Lighting</b>			
<i>Basic Utility Services</i>			
Contractual Services	414,700	443,845	29,145
<b>Police Pension</b>			
<i>Security of Persons and Property</i>			
Personal Services	643,500	646,481	2,981
<b>State Highway</b>			
<i>Transportation</i>			
Materials and Supplies	3,560	13,030	9,470
Contractual Services	7,550	7,684	134
<b>Federal Nutrition</b>			
<i>Public Health and Welfare</i>			
Materials and Supplies	\$3,350	\$5,020	\$1,670
Contractual Services	113,565	115,700	2,135

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

Fund/Program/Activity	Appropriations	Expenditures Plus Encumbrances	Excess
<b><i>Capital Projects Funds</i></b>			
<b><i>Permanent Improvement</i></b>			
<i>Capital Outlay</i>			
Capital Outlay	598,275	796,474	198,199
<b><i>Municipal Court Improvement Fund</i></b>			
<i>Capital Outlay</i>			
Personal Services	22,700	23,253	553

In order to eliminate the budgetary violations, appropriations will be more closely monitored to ensure appropriations will cover year end encumbrances.

The general fund had original appropriations in excess of original estimated resources plus available balances for fiscal year 2000 in the amount of \$652,457, contrary to Ohio Revised Code Section 5705.39.

The general fund had final appropriations in excess of final estimated resources plus available balances for fiscal year 2000 in the amount of \$70,095, contrary to Ohio Revised Code Section 5705.39.

**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 treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution. Interim monies may be deposited or 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 agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

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

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

**Cash on Hand.** At year end, the City had \$281,042 in undeposited cash on hand which is included on the balance sheet as part of "cash and cash equivalents."

**Deposits** At year-end, the carrying amount of the City's deposits was \$3,353,898 and the bank balance was \$3,721,787. Of the bank balance, \$300,000 was covered by federal depository insurance and \$3,421,787 was uncollateralized and uninsured. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

## **Note 6 - Receivables**

Receivables at December 31, 2000 consisted primarily of taxes, intergovernmental receivables and special assessments. No allowances for doubtful accounts have been recorded as uncollectible amounts are expected to be insignificant.

### **A. 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 2000 for real and public utility property taxes represents collections of the 1999 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 2000 taxes.

2000 real property taxes are levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

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. 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

The full tax rate for all City operations for the year ended December 31, 2000, was \$19.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$318,731,510
Other Real Estate	69,663,890
Public Utility Tangible	19,954,230
Tangible Personal Property	36,374,428
Total Assessed Value	<u>\$444,724,058</u>

Real property taxes are payable annually or semiannually. If paid annually, the payment is due December 31; if paid semi-annually, 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 by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Garfield Heights. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000, and for which there is an enforceable legal claim. 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 were they levied to finance 2000 operations. The receivable is offset by deferred revenue.

***B. Income Taxes***

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds are credited to the following funds: 75 percent to the general fund, 6 percent to the recreation special revenue fund, 6 percent to the street construction maintenance and repair special revenue fund, 7 percent to the bond retirement debt service fund and 6 percent to the storm and sanitary sewer capital projects fund.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

**C. Intergovernmental Receivables**

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>Governmental Activities:</b>	
Local Government	\$1,028,656
Estate Tax	154,297
Municipal Court Cost Reimbursement	46,238
Liquor Permit Fees	372
Homestead and Rollback	444,605
Cuyahoga County Court Settlement	3,186
Narcotics Task Force	940
Cigarette Tax	40
Immobilization Fees	6,000
Hotel/Motel Tax	382
Police Payroll Reimbursement	12,073
Motor Vehicle License Tax	10,263
Gasoline Tax	257,877
Permissive Motor Vehicle License Tax	11,794
Grants	37,393
Indigent Driver Reimbursement Fees	9,100
Total	\$2,023,216

**Note 7 - Capital Assets**

Capital asset activity for the year ended December 31, 2000, was as follows:

	Balance 12/31/99	Additions	Deductions	Balance 12/31/00
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$1,288,723	\$4,389	(\$1,463)	\$1,291,649
Construction in Progress	0	6,006,148	0	6,006,148
<i>Total Capital Assets, Not Being Depreciated</i>	\$1,288,723	\$6,010,537	(\$1,463)	\$7,297,797

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2000

	Balance 12/31/99	Additions	Deductions	Balance 12/31/00
<b><i>Capital Assets, Being Depreciated</i></b>				
Buildings	\$8,514,138	\$0	\$0	\$8,514,138
Improvements Other than Buildings	3,753,442	22,998	0	3,776,440
Vehicles	3,463,569	288,860	(84,359)	3,668,070
Machinery and Equipment	2,905,984	504,264	(110,720)	3,299,528
Furniture and Fixtures	496,590	80,288	(4,681)	572,197
Infrastructure				
Roads	18,179,509	435,436	0	18,614,945
Sanitary Sewers	3,050,558	223,119	0	3,273,677
Storm Sewers	1,020,515	151,001	0	1,171,516
Water Supply Lines	237,804	97,447	0	335,251
<b><i>Total Capital Assets, Being Depreciated</i></b>	<b>41,622,109</b>	<b>1,803,413</b>	<b>(199,760)</b>	<b>43,225,762</b>
Less Accumulated Depreciation:				
Buildings	(\$2,557,209)	(\$190,036)	\$0	(\$2,747,245)
Improvements Other than Buildings	(947,728)	(94,881)	0	(1,042,609)
Vehicles	(1,698,106)	(238,023)	73,130	(1,862,999)
Machinery and Equipment	(1,448,426)	(227,007)	101,107	(1,574,326)
Furniture and Fixtures	(194,624)	(25,129)	0	(219,753)
Infrastructure				
Roads	(4,339,501)	(735,889)	0	(5,075,390)
Sanitary Sewers	(314,935)	(63,253)	0	(378,188)
Storm Sewers	(146,820)	(21,920)	0	(168,740)
Water Supply Lines	(39,620)	(5,731)	0	(45,351)
<b>Total Accumulated Depreciation</b>	<b>(11,686,969)</b>	<b>(1,601,869)*</b>	<b>174,237</b>	<b>(13,114,601)</b>
<b><i>Subtotal for Assets Being Depreciated</i></b>	<b>29,935,140</b>	<b>201,544</b>	<b>(25,523)</b>	<b>30,111,161</b>
Governmental Activities				
Capital Assets, Net	<u>\$31,223,863</u>	<u>\$6,212,081</u>	<u>(\$26,986)</u>	<u>\$37,408,958</u>

\* Depreciation expense was charged to governmental functions as follows:

General Government	\$250,575
Security of Persons and Property	318,562
Public Health Services	44,038
Street Maintenance and Repair	791,753
Community Development	258
Basic Utility	102,443
Leisure Time Activities	94,240
<b>Total Depreciation Expense</b>	<u><u>\$1,601,869</u></u>

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2000

**Note 8 - Note Debt**

The City's note activity for the year ended December 31, 2000 is as follows:

	Balance 1/1/00	Additions	(Reductions)	Outstanding 12/31/00
<b>Capital Projects Funds:</b>				
<b>Street Resurfacing:</b>				
4.86% Street Improvement	\$1,200,000	\$1,200,000	(\$1,200,000)	\$1,200,000
4.65% Street Improvement	900,000	900,000	(900,000)	900,000
<b>Vehicle and Equipment</b>				
4.31% Vehicles and Equipment	350,000	0	(350,000)	0
<b>Service Center Note 2000</b>				
5.25% Municipal Service Center	0	6,000,000	0	6,000,000
<b>Total Notes</b>	<b>\$2,450,000</b>	<b>\$8,100,000</b>	<b>(\$2,450,000)</b>	<b>\$8,100,000</b>

All notes are backed by the full faith and credit of the City of Garfield Heights and mature within one year. The note liability is reflected in the fund which received the proceeds. The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

**Note 9 - Long-Term Obligations**

Changes in long-term obligations of the City during the year ended December 31, 2000 were as follows:

	Outstanding 1/1/00	Additions	(Reductions)	Outstanding 12/31/00	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
<b>1986 7.25%</b>					
Street Improvement	\$525,000	\$0	(\$75,000)	\$450,000	\$75,000
<b>1994 4.05% - 6.3%</b>					
Various Purpose Improvement	2,930,000	0	(130,000)	2,800,000	135,000
<b>1996 4.7% - 6.625%</b>					
Various Purpose - Canal Warner	34,549	0	(1,383)	33,166	1,383
<b>1996 4.7% - 6.625%</b>					
Various Purpose - Sunset	86,373	0	(3,823)	82,550	3,823
<b>1996 4.7% - 6.625%</b>					
Various Purpose - Streets	3,055,000	0	(60,000)	2,995,000	65,000

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2000

	Outstanding 1/1/00	Additions	(Reductions)	Outstanding 12/31/00	Amounts Due in One Year
1998 3.65% - 4.6%					
Justice Center Refunding	\$2,645,000	\$0	(\$135,000)	\$2,510,000	\$235,000
1998 3.65% - 4.6%					
Civic Center Refunding	3,775,000	0	0	3,775,000	130,000
1998 3.6% - 4.6%					
Various Improvements	4,325,000	0	(155,000)	4,170,000	160,000
<b>Total General Obligation Bonds</b>	<b>17,375,922</b>	<b>0</b>	<b>(560,206)</b>	<b>16,815,716</b>	<b>805,206</b>
<b>Special Assessment Bonds:</b>					
1980 9.25%					
Wolf Creek Storm Sewer	15,000	0	(15,000)	0	0
1986 7.75%					
Johnston/Rockside Improvement	84,000	0	(12,000)	72,000	12,000
1994 4.05% - 6.3%					
Neo Parkway Improvement	510,000	0	(20,000)	490,000	25,000
1996 4.7% - 6.625%					
Various Purpose - Canal Warner	715,451	0	(28,617)	686,834	28,617
1996 4.7% - 6.625%					
Various Purpose - Sunset	478,627	0	(21,177)	457,450	21,177
<b>Total Special Assessment Bonds</b>	<b>1,803,078</b>	<b>0</b>	<b>(96,794)</b>	<b>1,706,284</b>	<b>86,794</b>
<b>Other Governmental Activities:</b>					
Compensated Absences Payable	3,181,653	387,840	(88,023)	3,481,470	115,525
Claims Payable	406,855	56,400	(19,997)	443,258	209,780
Police and Fire Pension Liability	730,997	0	(9,123)	721,874	9,515
Loans Payable 9.0%	357,623	0	(178,811)	178,812	178,812
<b>Total Governmental Activities</b>	<b>\$23,856,128</b>	<b>\$444,240</b>	<b>(\$952,954)</b>	<b>\$23,347,414</b>	<b>\$1,405,632</b>

General obligation bonds will be paid from the general bond retirement debt service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences reported in the "compensated absences payable" account and the claims reported in the "claims payable" account will be paid from the fund from which the employees' salaries are paid. The police and fire pension liability will be paid from taxes receipted in the police and fire pension special revenue funds. This includes an accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters. The loans payable will be paid from revenues received in the general and permanent improvement capital projects funds.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

The City's overall legal debt margin was \$27,442,309 at December 31, 2000. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are as follows:

	General Obligation Bonds	Special Assessment Bonds	Police and Fire Pension	Loans	Totals
2001	\$1,634,006	\$186,800	\$40,094	\$188,840	\$2,049,740
2002	1,744,146	182,206	40,094	0	1,966,446
2003	1,737,427	182,303	40,094	0	1,959,824
2004	1,728,913	186,561	40,094	0	1,955,568
2005	1,722,278	181,010	40,094	0	1,943,382
2006-2010	7,951,153	846,223	200,470	0	8,997,846
2011-2015	6,139,688	769,477	200,470	0	7,109,635
2016-2020	1,661,641	65,503	200,470	0	1,927,614
2021-2036	0	0	579,576	0	579,576
Totals	24,319,252	2,600,083	1,381,456	188,840	30,315,223
Interest	(7,503,536)	(893,799)	(659,582)	(10,028)	(9,066,945)
Principal	\$16,815,716	\$1,706,284	\$721,874	\$178,812	\$21,248,278

**Note 10- Compensated Absences**

Employees earn vacation at different rates which are affected by length of service. In general, vacation earned in any one year must be used within the following year and cannot be carried over except with the written approval of the Mayor. At the time of separation the employee is entitled to payment for any earned but unused vacation within statutory limits. Fire Department employees may carry balances over from year to year but are limited to the payment of six weeks of accumulated but unused vacation by collective bargaining agreement.

Overtime is paid for in the period in which it was worked, except for the Police and Fire Department employees, who may accumulate overtime within statutory limits. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

Sick leave may be accrued without limit. Upon retirement, death, or leaving city service employees are entitled to payment of any accumulated but unused sick leave as follows: Fire Department employees at 50 percent, provided the employee had at least 15 years of service with the City; all other employees at 50 percent of accumulated but unused sick leave without any service requirement.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

The current portion of unpaid compensated absences is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. As of December 31, 2000 the liability for unpaid compensated absences was \$3,481,470 for the entire City.

**Note 11 - Defined Benefit Pension Plans**

***A. Public Employees Retirement System***

All City full-time employees, other than non-administrative full-time uniformed police officers and firefighters participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of the covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2000, 1999 and 1998 were \$356,362, \$480,218 and \$441,406 respectively. The full amount has been contributed for 1999 and 1998, 94.59 percent has been contributed for 2000.

***B. Ohio Police and Fire Pension Fund***

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. 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 Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.75 percent for firefighters. For 1999 the City contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$400,774 and \$400,634 for the year ended December 31, 2000, \$381,042 and \$383,936 for the year ended December 31, 1999, and \$383,936 and \$379,150 for 1998. The full amount has been contributed for 1999 and 1998. 92.45 percent and 94.31 percent, respectively, have been contributed for 2000.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2000, the unfunded liability of the City was \$721,874, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported as an intergovernmental payable.

**Note 12 - Postemployment Benefits**

***A. Public Employees Retirement System***

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service employees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care for the year 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advanced-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest review performed as of December 31, 1999, included a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$234,305. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) 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 cost 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 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll was applied to the postemployment health care program during 2000. For 1999 the percent used to fund healthcare was 7 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2000 that were used to fund post employment benefits were \$237,193 for police and \$173,409 for fire. The OP&F's total health care expenses for the year ending December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

**Note 13 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City contracted with a single company for various types of insurance as follows:

Company	Type	Coverage
Clarendon Insurance Company	Property	\$22,863,866
	Inland Marine	2,000,000
	Comprehensive General Liability	1,000,000 per occurrence 2,000,000 aggregate
	Police Professional Liability	1,000,000 per occurrence 1,000,000 aggregate
	Employment Practices	1,000,000 per occurrence 1,000,000 aggregate
	Vehicle Liability	1,000,000 combined
	Public Officials Liability	1,000,000 per occurrence 1,000,000 annual aggregate
	Umbrella Liability	1,000,000 per occurrence

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

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

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic hospital/medical/surgical plans with deductibles of \$100 per person and \$200 per family, with maximum out of pocket expenses, not including the deductibles, of \$500 per individual and the family. Mutual of Ohio reviews all claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of \$75,000 per employee and an aggregate of \$1,318,697. The benefit is paid by the fund that pays the salary for the employee and is based on historical cost information.

A health benefit claims liability of \$159,073 has been accrued in the funds based on an estimate by the third party administrator. The liability reported at December 31, 2000 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurances Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

The City participates in the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2000. Claims of \$443,258 have been accrued as a liability at December 31, 2000 based on an estimate provided by Comp Management, Inc., the City's third party administrator. Changes in the claims liability amount for health and workers' compensation in 1998, 1999 and 2000 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$332,548	\$186,277	\$182,004	\$336,821
1999	336,821	406,130	169,838	573,113
2000	573,113	199,046	169,828	602,331

**Note 14 - Contingencies**

The City is a party to various legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**City of Garfield Heights, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2000*

---

---

**Note 15 - Jointly Governed Organizations**

***Northeast Ohio Public Energy Council*** The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Garfield Heights did not contribute to NOPEC during 2000. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

***First Suburbs Consortium of Northeast Ohio Council of Governments*** The City is a member of the First Suburbs Consortium of Northeast Ohio Council of Governments (Council). The Council is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council is currently comprised of 12 communities. The Council was formed to foster cooperation between municipalities in matters of mutual concern, including but not limited to initiation and support of policies and practices which protect, maintain and redevelop mature communities and other matters which affect health, welfare, education, economic conditions and regional development.

The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and other members elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. During 2000, the City of Garfield Heights contributed \$3,000 which represents 8.33 percent of total contributions. Financial information can be obtained by contacting First Suburbs Consortium of Northeast Ohio Council of Governments, 40 Severance Circle, Cleveland Heights, Ohio 44118.

**This page intentionally left blank.**

**CITY OF GARFIELD HEIGHTS  
CUYAHOGA COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>(A) Disbursements</u>
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
<i>Passed Through Cuyahoga County Department of Development:</i>			
Community Development Block Grants and Entitlement Grants:			
Exterior Maintenance Grant - FY00	CE10951-01	14.218	\$47,692
Exterior Maintenance Grant - FY01	CE11432-01	14.218	34,251
Broadway Avenue Streetscape	CE 10201A	14.218	71,356
Commercial District Revitalization Plan	CE 11260-01	14.218	10,000
			<u>163,299</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Direct Federal Assistance Programs:</i>			
Bullet Proof Vest Program	99002767	16.607	9,920
Public Safety Partnership and Community Policing Grants	97/CMWX0307	16.710	22,039
Local Law Enforcement Block Grants Program	1998LBVX4785	16.592	27,665
<i>Passed Through State of Ohio, Office of Criminal Justice Services:</i>			
Juvenile Accountability Incentive Block Grant - FY98	98-JB-011-A036	16.523	16,715
Juvenile Accountability Incentive Block Grant - FY99	99-JB-011-A036	16.523	3,771
			<u>20,486</u>
Total U.S. Department of Justice			<u>80,110</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Western Reserve Area Agency on Aging:</i>			
Aging Cluster:			
Title III, Part B - Grants for Supportive Services	N/A	93.044	6,671
Title III, Part C-1 - Nutrition Program (B)	N/A	93.045	36,375
Title III, Part C-2 - Nutrition Program (B)	N/A	93.045	2,487
			<u>38,862</u>
Total U.S. Department of Health and Human Services/Aging Cluster			<u>45,533</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Western Reserve Area Agency on Aging</i>			
Nutrition Program for the Elderly (C)	N/A	10.570	<u>17,371</u>
<b><u>U.S. DEPARTMENT OF TREASURY</u></b>			
<i>Passed Through Bureau of Alcohol, Tobacco and Firearms</i>			
GREAT Grant	50100000192	21.053	<u>3,500</u>
<b>Total</b>			<u><u>\$309,813</u></u>

The accompanying notes are an integral part of this Schedule.

**CITY OF GARFIELD HEIGHTS  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICES**

The accompanying Schedule of Federal Awards Expenditures (Schedule) summarizes the activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - WESTERN RESERVE AREA AGENCY ON AGING**

The City received from the Western Reserve Area Agency on Aging (WRAAA) a grant for catered meals valued at \$1.79 each or \$56,233 in total. These meals were purchased with a mix of USDA (CFDA #10.570) and Title III C-1 and Title III C-2 (CFDA #93.045) funds. The per meal cost of \$1.79 was determined by WRAAA. In addition, state and local funds for \$10,806 were spent for meals purchased.

**NOTE C - WESTERN RESERVE AREA AGENCY ON AGING**

During fiscal year 2000, the Western Reserve Area Agency on Aging (WRAAA) received cash reimbursement instead of food commodities from the USDA. Subsequently, the City's allocation during fiscal year 2000, for the Nutrition Program for the Elderly, was \$17,371 or \$.54 a meal.

CFDA - Catalog of Federal Domestic Assistance.

N/A - Not applicable.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Bldg  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113 -  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.u

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Members of Council  
City of Garfield Heights  
Cuyahoga County  
5407 Turney Road  
Garfield Heights, Ohio 44125

We have audited the financial statements of the City of Garfield Heights, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated September 17, 2001, wherein we noted the City adopted Government Accounting Standards Boards Statements 33, 34, and 36 and Interpretation 6. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2000-20818-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 17, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 17, 2001.

This report is intended for the information and use of management, City Council and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

September 17, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 W Superior Ave  
Floor 12  
Cleveland OH 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

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

Members of Council  
City of Garfield Heights  
Cuyahoga County  
5407 Turney Road  
Garfield Heights, Ohio 44125

**Compliance**

We have audited the compliance of the City of Garfield Heights, Cuyahoga County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of finding. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000.

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 17, 2001.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

September 17, 2001

CITY OF GARFIELD HEIGHTS  
 CUYAHOGA COUNTY  
 DECEMBER 31, 2000

SCHEDULE OF FINDING  
 OMB CIRCULAR A-133 Section .505

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

(d)(1)(i)	<b><i>Type of Financial Statement Opinion</i></b>	Unqualified
(d)(1)(ii)	<b><i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i></b>	No
(d)(1)(ii)	<b><i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i></b>	No
(d)(1)(iii)	<b><i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i></b>	Yes
(d)(1)(iv)	<b><i>Were there any material internal control weakness conditions reported for major federal programs?</i></b>	No
(d)(1)(iv)	<b><i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i></b>	No
(d)(1)(v)	<b><i>Type of Major Programs' Compliance Opinion</i></b>	Unqualified
(d)(1)(vi)	<b><i>Are there any reportable findings under Sec. .510?</i></b>	No
(d)(1)(vii)	<b><i>Major Programs (list)</i></b>	CDBG, CFDA #14.218
(d)(1)(viii)	<b><i>Dollar Threshold: Type A/B Programs</i></b>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<b><i>Low Risk Auditee?</i></b>	No

**CITY OF GARFIELD HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2000**

**SCHEDULE OF FINDING  
OMB CIRCULAR A-133 Section .505  
(Continued)**

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

**FINDING NUMBER** **2000-20818-001**

Ohio Rev. Code Sections 5705.41 (B) & (D), prescribes that no subdivision shall make any expenditure of money unless it has been appropriated. The following City accounts had expenditures plus encumbrances in excess of appropriations contrary to the aforementioned sections of the Revised Code:

Fund/Program/Activity	Appropriations	Expenditures Plus Encumbrances	Excess
<b>General Fund</b>			
<i>General Government</i>			
Capital Outlay	132,000	149,949	17,949
<i>Security of Persons and Property</i>			
Police Department			
Materials and Supplies	41,500	50,767	9,267
<b>Special Revenue Funds</b>			
<b>State Highway</b>			
Materials and Supplies	3,560	13,030	9,470
<b>Federal Nutrition</b>			
<i>Public Health and Welfare</i>			
Materials and Supplies	3,350	5,020	1,670
<b>Capital Projects Funds</b>			
<b>Permanent Improvement</b>			
Capital Outlay	598,275	796,474	198,199

The percentage of excess in these budgetary violations ranges from 14% to 266%. This weakness could allow expenditures in the above funds to exceed the total of the available fund balance and the current year revenues. This would then result in a negative fund balance(s).

Additionally, throughout the year, the Permanent Improvement Fund and other funds had occurrences where expenditures plus encumbrances exceeded appropriations.

In order to eliminate these budgetary violations, the City should compare appropriations to expenditures and appropriations to expenditures plus encumbrances, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at a minimum, and the City's appropriations should be amended as required if sufficient resources are available.

**CITY OF GARFIELD HEIGHTS  
CUYAHOGA COUNTY  
DECEMBER 31, 2000**

**SCHEDULE OF FINDING  
*OMB CIRCULAR A-133 Section .505*  
(Continued)**

<b>3. FINDING FOR FEDERAL AWARDS</b>
--------------------------------------

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF GARFIELD 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  
OCTOBER 4, 2001**