

CITY OF BROADVIEW HEIGHTS, OHIO
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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City Council
City of Broadview Heights
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We have reviewed the Independent Auditor's Report of the City of Broadview Heights, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Broadview Heights is responsible for compliance with these laws and regulations.

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JIM PETRO
Auditor of State

June 13, 2002

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CITY OF BROADVIEW HEIGHTS, OHIO
FOR THE YEAR ENDED DECEMBER 31, 2001

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

April 23, 2002

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the City of Broadview Heights, Ohio, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Broadview Heights, Ohio management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Broadview Heights, Ohio, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2002, on our consideration of the City of Broadview Heights, Ohio, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.

Rea & Associates, Inc.

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Current Assets:				
Equity in Pooled Cash and Investments	\$ 1,378,813	\$ 722,916	\$ 2,084,948	\$ 2,686,712
Receivables:				
Accounts and Other	19,549	12,486	0	0
Interfund	306,997	730	0	367,739
Taxes	2,117,740	1,789,459	43,353	323,625
Intergovernmental	253,571	248,993	5,366	0
Assessments	0	0	10,119,546	0
Total Current Assets	<u>4,076,670</u>	<u>2,774,584</u>	<u>12,253,213</u>	<u>3,378,076</u>
Fixed Assets:				
Land	0	0	0	0
Buildings	0	0	0	0
Improvements	0	0	0	0
Machinery and Equipment	0	0	0	0
Vehicles	0	0	0	0
Construction in Progress	0	0	0	0
Accumulated Depreciation	0	0	0	0
Total Fixed Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Debits:				
Amount Available In Debt Service Funds	0	0	0	0
Amount to be Provided for Retirement of General Long Term Obligations	0	0	0	0
Amount to be Provided for Benefits	0	0	0	0
Total Other Debits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Other Debits	<u>\$ 4,076,670</u>	<u>\$ 2,774,584</u>	<u>\$ 12,253,213</u>	<u>\$ 3,378,076</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
		Enterprise	Trust and Agency	General Fixed Assets	
\$ 438,864	\$ 930,899	\$ 0	\$ 0	\$ 8,243,152	
183,979	0	0	0	216,014	
0	0	0	0	675,466	
0	0	0	0	4,274,177	
0	0	0	0	507,930	
0	0	0	0	10,119,546	
622,843	930,899	0	0	24,036,285	
0	0	1,165,450	0	1,165,450	
18,205,528	0	6,758,110	0	24,963,638	
0	0	0	0	0	
491,359	0	4,575,359	0	5,066,718	
187,478	0	0	0	187,478	
0	0	122,245	0	122,245	
(6,192,363)	0	0	0	(6,192,363)	
12,692,002	0	12,621,164	0	25,313,166	
0	0	0	2,084,948	2,084,948	
0	0	0	11,670,695	11,670,695	
0	0	0	859,172	859,172	
0	0	0	14,614,815	14,614,815	
\$ 13,314,845	\$ 930,899	\$ 12,621,164	\$ 14,614,815	\$ 63,964,266	

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	\$ 160,050	\$ 36,987	\$ 0	\$ 60,236
Intergovernmental Payable	38,555	20,668	0	0
Interfund Payable	0	0	0	655,447
Accrued Salaries, Wages and Benefits	93,572	50,160	0	0
Compensated Absences Payable	26,173	7,831	0	0
Undistributed Monies	0	0	0	0
Deferred Revenue	1,528,817	1,930,676	10,168,265	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Bonds Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
Total Liabilities	<u>1,847,167</u>	<u>2,046,322</u>	<u>10,168,265</u>	<u>715,683</u>
Fund Equity:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	35,237	50,697	0	235,692
Reserved for Debt Services:				
Principal	0	0	2,084,948	0
Unreserved:				
Undesignated	2,194,266	677,565	0	2,426,701
Total Fund Equity	<u>2,229,503</u>	<u>728,262</u>	<u>2,084,948</u>	<u>2,662,393</u>
Total Liabilities and Fund Equity	<u>\$ 4,076,670</u>	<u>\$ 2,774,584</u>	<u>\$ 12,253,213</u>	<u>\$ 3,378,076</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
		Enterprise	Trust and Agency	General Fixed Assets	
\$ 47,810	\$ 49,204	\$ 0	\$ 0	\$ 354,287	
1,746	0	0	258,272	319,241	
0	20,019	0	0	675,466	
3,188	0	0	0	146,920	
4,687	0	0	600,900	639,591	
0	844,486	0	0	844,486	
0	0	0	0	13,627,758	
0	0	0	4,463,483	4,463,483	
0	0	0	2,928,017	2,928,017	
0	0	0	6,364,143	6,364,143	
57,431	913,709	0	14,614,815	30,363,392	
0	0	12,621,164	0	12,621,164	
8,686,914	0	0	0	8,686,914	
4,570,500	0	0	0	4,570,500	
0	0	0	0	321,626	
0	0	0	0	2,084,948	
0	17,190	0	0	5,315,722	
13,257,414	17,190	12,621,164	0	33,600,874	
\$ 13,314,845	\$ 930,899	\$ 12,621,164	\$ 14,614,815	\$ 63,964,266	

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

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

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Local Taxes	\$ 7,084,485	\$ 2,194,364	\$ 50,763	\$ 2,284,650
Fees, License and Permits	971,415	1,073,372	0	0
Intergovernmental	495,610	140,913	0	0
Special Assessment	3,745	0	1,116,390	0
Charges for Services	506,620	19,864	0	58,359
Interest Income	159,463	10,844	105,645	78,366
Other	70,086	33,762	575	144,863
Total Revenues	9,291,424	3,473,119	1,273,373	2,566,238
Expenditures:				
Current:				
General Government	3,643,594	341,224	0	10,131
Security	2,916,954	2,069,893	0	127,519
Public Health	36,046	0	0	5,188
Community Environment	492,551	0	0	0
Transportation	659,705	528,819	0	0
Basic Utility	344,725	0	0	0
Leisure Time	311,745	536,269	0	0
Capital Outlay	1,660	150	0	2,576,532
Debt Service:				
Principal	0	0	1,008,209	0
Interest	8,400	0	974,840	0
Total Expenditures	8,415,380	3,476,355	1,983,049	2,719,370
Excess of Revenues Over (Under) Expenditures	876,044	(3,236)	(709,676)	(153,132)
Other Financing Sources (Uses):				
Proceeds of Bonds	0	0	0	211,000
Gain/Loss on Sale of Assets	2,789	0	0	0
Operating Transfers In	264,201	145,991	738,408	590,856
Operating Transfers Out	(688,783)	(110,000)	(154,200)	(771,997)
Total Other Financing Sources (Uses)	(421,793)	35,991	584,208	29,859
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	454,251	32,755	(125,468)	(123,273)
Fund Balances (Deficit) at Beginning Of Year	1,775,252	695,507	2,210,416	2,785,666
Fund Balances (Deficit) at End of Year	\$ 2,229,503	\$ 728,262	\$ 2,084,948	\$ 2,662,393

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type			
Expendable Trust		Totals (Memorandum Only)	
\$	0	\$	11,614,262
	0		2,044,787
	0		636,523
	0		1,120,135
	0		584,843
	0		354,318
	4,240		253,526
	4,240		16,608,394
	0		3,994,949
	0		5,114,366
	0		41,234
	0		492,551
	0		1,188,524
	0		344,725
	0		848,014
	6,661		2,585,003
	0		1,008,209
	0		983,240
	6,661		16,600,815
	(2,421)		7,579
	0		211,000
	0		2,789
	0		1,739,456
	0		(1,724,980)
	0		228,265
	(2,421)		235,844
	19,611		7,486,452
\$	17,190	\$	7,722,296

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

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

For the Year Ended December 31, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local Taxes	\$ 6,570,444	\$ 6,570,444	\$ 0
Fees, License and Permits	988,696	988,696	0
Intergovernment	505,681	505,681	0
Special Assessment	3,745	3,745	0
Charges for Services	506,620	506,620	0
Investment Income	159,463	159,463	0
Other	70,086	70,086	0
Total Revenues	8,804,735	8,804,735	0
Expenditures:			
Current:			
General Government	4,030,600	4,029,727	873
Security	2,907,922	2,905,093	2,829
Public Health	36,046	36,046	0
Community Development	488,002	484,264	3,738
Transportation	668,964	668,675	289
Basic Utility	315,999	315,998	1
Leisure Time	309,224	309,224	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest	0	0	0
Total Expenditures	8,756,757	8,749,027	7,730
Excess of Revenue Over (Under) Expenditures	47,978	55,708	7,730
Other Financing Sources (Uses):			
Proceeds of Bonds	0	0	0
Gain/Loss on Sale of Assets	2,789	2,789	0
Operating Transfers In	128,849	128,849	0
Operating Transfers Out	(300,000)	(299,999)	1
Other Financing Sources (Uses)	(168,362)	(168,361)	1
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(120,384)	(112,653)	7,731
Fund Balances at Beginning of Year	1,348,542	1,348,542	0
Prior Year's Encumbrances Appropriated	95,461	95,461	0
Fund Balances at End of Year	\$ 1,323,619	\$ 1,331,350	\$ 7,731

See accompanying notes to the general purpose financial statements.

Special Revenue Funds				Debt Service Fund			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 2,139,945	\$ 2,139,945	\$ 0		\$ 50,763	\$ 50,763	\$ 0	
861,902	861,902	0		0	0	0	
171,377	171,377	0		0	0	0	
0	0	0		1,116,390	1,116,390	0	
7,378	7,378	0		0	0	0	
10,844	10,844	0		159,528	159,528	0	
264,842	264,842	0		575	575	0	
<u>3,456,288</u>	<u>3,456,288</u>	<u>0</u>		<u>1,327,256</u>	<u>1,327,256</u>	<u>0</u>	
355,782	355,782	0		0	0	0	
2,089,530	2,088,460	1,070		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
611,122	609,279	1,843		0	0	0	
0	0	0		0	0	0	
536,912	536,742	170		0	0	0	
400	400	0		0	0	0	
0	0	0		1,068,010	1,068,009	1	
0	0	0		730,059	730,059	0	
<u>3,593,746</u>	<u>3,590,663</u>	<u>3,083</u>		<u>1,798,069</u>	<u>1,798,068</u>	<u>1</u>	
(137,458)	(134,375)	3,083		(470,813)	(470,812)	1	
0	0	0		0	0	0	
0	0	0		0	0	0	
145,991	145,991	0		411,043	411,043	0	
(110,000)	(110,000)	0		0	0	0	
<u>35,991</u>	<u>35,991</u>	<u>0</u>		<u>411,043</u>	<u>411,043</u>	<u>0</u>	
(101,467)	(98,384)	3,083		(59,770)	(59,769)	1	
660,424	660,424	0		1,241,656	1,241,656	0	
91,562	91,562	0		0	0	0	
<u>\$ 650,519</u>	<u>\$ 653,602</u>	<u>\$ 3,083</u>		<u>\$ 1,181,886</u>	<u>\$ 1,181,887</u>	<u>\$ 1</u>	

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

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

For the Year Ended December 31, 2001

Capital Projects Funds			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local Taxes	\$ 2,054,737	\$ 2,054,737	\$ 0
Fees, License and Permits	0	0	0
Intergovernment	0	0	0
Special Assessment	0	0	0
Charges for Services	58,359	58,359	0
Investment Income	78,366	78,366	0
Other	144,898	144,898	0
Total Revenues	2,336,360	2,336,360	0
Expenditures:			
Current:			
General Government	7,994	7,974	20
Security	221,419	221,419	0
Public Health	5,188	5,188	0
Community Development	0	0	0
Transportation	0	0	0
Basic Utility	0	0	0
Leisure Time	0	0	0
Capital Outlay	2,857,950	2,855,551	2,399
Debt Service			
Principal Retirement	0	0	0
Interest	0	0	0
Total Expenditures	3,092,551	3,090,132	2,419
Excess of Revenue Over (Under) Expenditures	(756,191)	(753,772)	2,419
Other Financing Sources (Uses):			
Proceeds of Bonds	211,000	211,000	0
Gain/Loss on Sale of Assets	0	0	0
Operating Transfers In	616,408	616,408	0
Operating Transfers Out	(877,815)	(877,816)	(1)
Other Financing Sources (Uses)	(50,407)	(50,408)	(1)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(806,598)	(804,180)	2,418
Fund Balances at Beginning of Year	3,144,226	3,144,226	0
Prior Year's Encumbrances Appropriated	108,674	108,674	0
Fund Balances at End of Year	\$ 2,446,302	\$ 2,448,720	\$ 2,418

See accompanying notes to the general purpose financial statements.

Totals		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 10,815,889	\$ 10,815,889	\$ 0
1,850,598	1,850,598	0
677,058	677,058	0
1,120,135	1,120,135	0
572,357	572,357	0
408,201	408,201	0
480,401	480,401	0
<u>15,924,639</u>	<u>15,924,639</u>	<u>0</u>
4,394,376	4,393,483	893
5,218,871	5,214,972	3,899
41,234	41,234	0
488,002	484,264	3,738
1,280,086	1,277,954	2,132
315,999	315,998	1
846,136	845,966	170
2,858,350	2,855,951	2,399
1,068,010	1,068,009	1
730,059	730,059	0
<u>17,241,123</u>	<u>17,227,890</u>	<u>13,233</u>
<u>(1,316,484)</u>	<u>(1,303,251)</u>	<u>13,233</u>
211,000	211,000	0
2,789	2,789	0
1,302,291	1,302,291	0
<u>(1,287,815)</u>	<u>(1,287,815)</u>	<u>0</u>
<u>228,265</u>	<u>228,265</u>	<u>0</u>
(1,088,219)	(1,074,986)	13,233
6,394,848	6,394,848	0
295,697	295,697	0
<u>\$ 5,602,326</u>	<u>\$ 5,615,559</u>	<u>\$ 13,233</u>

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

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

For the Year Ended December 31, 2001

	Enterprise
<hr/>	
Operating Revenue:	
Charges for Services	\$ 644,771
Other	17,439
<i>Total Operating Revenues</i>	<hr/> 662,210
Operating Expenses:	
Personal Services	187,532
Contractual Service	348,687
Depreciation	450,300
Capital Outlay	54,426
<i>Total Operating Expenses</i>	<hr/> 1,040,945
Operating Income (Loss)	(378,735)
Non-Operating Revenues:	
Interest Income	19,253
<i>Total Non-Operating Revenues</i>	<hr/> 19,253
Income Before Operating Transfers	(359,482)
Operating Transfers In	50,000
Operating Transfer Out	(50,000)
	<hr/>
Net Income (Loss)	(359,482)
Add depreciation on fixed assets acquired by capital grants which reduces contributed capital from such grants	271,933
Retained Earnings at Beginning of Year	<hr/> 4,658,049
Retained Earnings at End of Year	<hr/> \$ 4,570,500 <hr/>

See accompanying notes to the general purpose financial statements.

CITY OF BROADVIEW HEIGHTS - CUYAHOGA COUNTY

Combined Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended December 31, 2001

	Enterprise
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 642,526
Cash Payments for Goods and Services	(411,570)
Cash Payments for Employee Services and Benefits	(187,239)
	<hr/>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>43,717</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(147,912)
	<hr/>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(147,912)</u>
Cash Flows from Investing Activities:	
Interest on Investments	19,253
	<hr/>
<i>Net Cash Provided by Investing Activities</i>	<u>19,253</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(84,942)
Cash and Cash Equivalents at Beginning of Year	523,806
	<hr/>
Cash and Cash Equivalents at End of Year	<u>\$ 438,864</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (378,735)
Adjustments:	
Depreciation Expense	450,300
(Increase) Decrease in Assets:	
Accounts Receivable	(19,684)
Increase (Decrease) in Liabilities:	
Accounts Payable	(9,781)
Due to Other Funds	1,324
Accrued Salaries, Wages and Benefits	75
Compensated Absences	218
	<hr/>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$ 43,717</u>

See accompanying notes to the general purpose financial statements.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization, or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City does not have any component units; therefore the financial statements are that of the primary government.

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

Southwest Council of Governments - The Southwest Council of Governments was established to foster cooperation between municipalities in all areas of municipal service. This includes but is not limited to the effective exchange of information, pooling of manpower and resources for the efficient solutions of specific problems dealing with reciprocal service, mutual aid, and parallel action, and the exchange of ideas relating to area-wide interest. This is a jointly governed organization. The City's participation is disclosed in Note 17 to the financial statements.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001

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

Governmental Fund Types

Governmental fund types are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately thirty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made. Other revenues including fines and forfeits, licenses and permits, certain charges for services, income taxes other than employer withholding, and miscellaneous revenues, are recognized when received since they are generally not measurable until collected.

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

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

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

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

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

Proprietary Fund Types

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

CITY OF BROADVIEW HEIGHTS, OHIO

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

Fiduciary Fund Types

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

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

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

Account Groups

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

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

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

B. CASH AND CASH EQUIVALENTS

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

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

C. INVESTMENTS

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

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
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D. RECEIVABLES

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

E. FIXED ASSETS AND DEPRECIATION

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

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

F. LONG-TERM LIABILITIES

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

G. UNPAID COMPENSATED ABSENCES

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

H. INTERFUND TRANSACTIONS

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

All other interfund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. During 2001, there were transfers out in the agency fund. Since agency funds do not

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**NOTES TO THE FINANCIAL STATEMENTS
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present budgetary statements, transfers in and transfers out do not balance on a budgetary basis. During the year ended December 31, 2001, the City had the following transfer transactions:

	Transfers In	Transfers Out
General Fund	\$ 264,201	\$ 688,783
Special Revenue	145,991	110,000
Debt Service	738,408	154,200
Capital Projects	590,856	771,997
Enterprise Funds	50,000	50,000
Agency Funds	0	14,476
Total	<u>\$ 1,789,456</u>	<u>\$ 1,789,456</u>

I. FUND EQUITY

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

J. TOTAL COLUMNS

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

K. USE OF ESTIMATES

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

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001

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

Budget

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

Estimated Resources

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

As part of the certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include January 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the major account level (personnel, employee benefits, miscellaneous, debt service, capital projects, and transfers) and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

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

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

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
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Encumbrances

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

Budgetary Reporting

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

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis (as reported)	\$ 454,251	\$ 32,755	\$ (125,468)	\$ (123,273)
Adjustments:				
Proceeds from notes	0	0	0	0
Revenue accruals	(622,041)	(16,831)	(273,482)	(204,326)
Expenditure accruals	118,835	(44,995)	2,322,230	(238,591)
Principal retirement for debt	0	0	(1,008,209)	0
Interest and fiscal charges for debt	(8,400)	0	(974,840)	0
Encumbrances	<u>(55,298)</u>	<u>(69,313)</u>	<u>0</u>	<u>(237,990)</u>
Budget basis	<u>\$ (112,653)</u>	<u>\$ (98,384)</u>	<u>\$ (59,769)</u>	<u>\$ (804,180)</u>

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 4 POOLED CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

- 1.) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4.) Bonds and other obligations of the State of Ohio;
- 5.) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6.) The State Treasurer's investment pool (STAR Ohio);
- 7.) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001

- 8.) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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

B. DEPOSITS AND CASH ON HAND

At year end, the carrying amount of the City's deposits was \$(1,570), \$525 of which was petty cash, and the bank balance was \$309,499. Of the bank balance, \$144,291 is collateralized by federal depository insurance and \$165,208 by collateral held by third party trustees in accordance with the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

C. INVESTMENTS

During 2001, the City realized interest income in the OWDA accounts of \$159,528. The calculation of realized gains is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decreases in the fair value of investments during 2001 was \$54,426. This amount takes into account all changes in fair value, including purchases and sales, that occurred during the year.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name. Investment in STAROhio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
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	<u>Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Government Securities	\$ 0	\$ 0	\$ 1,596,654	\$ 1,596,654	\$ 1,596,654
Federal National Mortgage Assn Repurchase Agreements	0	508,507	0	508,507	508,507
	<u>0</u>	<u>1,985,275</u>	<u>0</u>	1,985,275	1,985,275
Investment in State Treasurer's Investment Pool	0	2,493,782	1,596,654	<u>4,154,286</u>	<u>4,154,286</u>
				<u>\$ 8,244,722</u>	<u>\$ 8,244,722</u>

NOTE 5 TAXES RECEIVABLE

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

Property Taxes - Current	\$ 2,779,440
Property Taxes - Delinquent	142,126
Permissive Tax	16,134
Gasoline Tax	147,265
Municipal Income Taxes, Employer Withholding	1,123,697
Estate Tax	65,515
	<u>\$ 4,274,177</u>

NOTE 6 FIXED ASSETS

A. GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>Balance 01/01/2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/2001</u>
Land	\$ 1,165,450	\$ 0	\$ 0	\$ 1,165,450
Buildings and Improvements	6,589,070	169,040	0	6,758,110
Equipment and Vehicles	4,579,738	309,425	313,804	4,575,359
Construction in Progress	169,040	122,245	169,040	122,245
Total general fixed assets	<u>\$ 12,503,298</u>	<u>\$ 600,710</u>	<u>\$ 482,844</u>	<u>\$ 12,621,164</u>

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
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B. PROPRIETARY FIXED ASSETS

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

	Enterprise Funds
Buildings and Improvements	\$ 18,205,528
Machinery and Equipment	491,359
Vehicles	187,478
	<u>18,884,365</u>
Less: accumulated depreciation	<u>(6,192,363)</u>
Net fixed assets	<u><u>\$ 12,692,002</u></u>

NOTE 7 DEFERRED REVENUE

Deferred revenue at year end consisted of:

Property Taxes Receivable	\$ 2,921,566
Homestead/Rollback	333,441
Special Assessments Receivable	10,119,546
Local Government	43,544
Gasoline Tax	97,570
Auto Registration	46,576
Estate Taxes Receivable	65,515
	<u>65,515</u>
	<u><u>\$ 13,627,758</u></u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 8 LONG TERM DEBT

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

	Balance 1/1/2001	Additions	Reductions	Balance 12/31/2001
Due to Other Governments	\$ 190,407	\$ 258,272	\$ (190,407)	\$ 258,272
OWDA Loans Payable	6,816,352	0	(452,209)	6,364,143
General Obligation Bonds	4,776,759	0	(313,276)	4,463,483
Special Assessment Bonds	2,959,741	211,000	(242,724)	2,928,017
Compensated Absences Payable	<u>627,273</u>	<u>0</u>	<u>(26,373)</u>	<u>600,900</u>
	<u>\$ 15,370,532</u>	<u>\$ 469,272</u>	<u>\$ (1,224,989)</u>	<u>\$ 14,614,815</u>

Debt service requirements, including principal and interest, to retire loans payable and bond obligations outstanding at December 31, 2001, consisted of:

Year	General Obligation Bonds	Special Assessment Bonds	OWDA Loans	Total
2002	\$ 434,667	\$ 450,180	\$ 961,001	\$ 1,845,848
2003	385,151	439,738	961,001	1,785,890
2004	459,704	435,798	961,001	1,856,503
2005	460,798	417,888	961,001	1,839,687
2006	462,275	358,906	961,001	1,782,182
2007-2011	2,263,694	1,408,466	2,705,476	6,377,636
2012-2016	1,583,710	387,765	1,088,752	3,060,227
2017-2019	<u>702,607</u>	<u>247,334</u>	<u>361,557</u>	<u>1,311,498</u>
	<u>\$ 6,752,606</u>	<u>\$ 4,146,075</u>	<u>\$ 8,960,790</u>	<u>\$ 19,859,471</u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
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	<u>Outstanding</u> <u>12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/01</u>
<i>General Obligation Bonds</i>				
Street Improvement (1986)				
6.750% through 2002	\$ 140,000	\$ 0	\$ (70,000)	\$ 70,000
Street Improvement (1986)				
6.750% through 2001	135,000	0	(135,000)	0
Street Improvement (1988)				
7.375% through 2008	86,064	0	(10,758)	75,306
Sewer Improvement (1989)				
7.140% through 2009	60,605	0	(4,216)	56,389
Street Improvement (1989)				
7.000% through 2009	21,424	0	(2,381)	19,043
Street Improvement (1991)				
6.772 % through 2009	13,062	0	(835)	12,227
Sidewalk Improvements (1977)				
5.250%	2,500	0	0	2,500
Broadview Center Improvement				
4.961% through 2013	1,550,000	0	0	1,550,000
Various Purpose (1999)				
4.5% - 5.65% through 2019	<u>2,768,104</u>	<u>0</u>	<u>(90,086)</u>	<u>2,678,018</u>
	4,776,759	0	(313,276)	4,463,483
<i>Special Assessment Bonds With City Commitment</i>				
Street Improvement (1985)				
9.250% through 2005	225,000	0	(45,000)	180,000
Street Improvement (1988)				
7.375% through 2008	393,936	0	(49,242)	344,694
Sewer Improvement (1989)				
7.140% through 2009	514,395	0	(35,784)	478,611
Street Improvement (1989)				
7.000% through 2009	383,575	0	(42,620)	340,955
Street Improvement (1990)				
7.850% through 2009	105,000	0	(5,000)	100,000
Street Improvement (1991)				
6.772 % through 2009	611,939	0	(39,164)	572,775
Sewer Improvement (1994)				
5.500% through 2014	82,000	0	(5,000)	77,000
Sewer Improvement (1995)				
6.383% through 2015	32,000	0	(1,000)	31,000
Sewer Improvement (2001)				
6.1% through 2021	0	211,000	0	211,000
Various Purpose (1999)				
4.5% - 5.65% through 2019	<u>611,896</u>	<u>0</u>	<u>(19,914)</u>	<u>591,982</u>
	<u>2,959,741</u>	<u>211,000</u>	<u>(242,724)</u>	<u>2,928,017</u>
Total Bonds Payable	<u>\$ 7,736,500</u>	<u>\$ 211,000</u>	<u>\$ (556,000)</u>	<u>\$ 7,391,500</u>

CITY OF BROADVIEW HEIGHTS, OHIO

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 9 OHIO WATER DEVELOPMENT AUTHORITY (OWDA) LOANS PAYABLE

OWDA loans payable at year end consisted of:

	<u>Outstanding 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/01</u>
<i>Ohio Water Development Authority Loans</i>				
Sewer System (1985)				
4.04% - 9.78%				
through 2021	<u>\$ 6,816,352</u>	<u>\$ 0</u>	<u>\$ (452,209)</u>	<u>\$ 6,364,143</u>

NOTE 10 INTERFUND TRANSACTIONS

Interfund balances at December 31, 2001 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 306,997	\$ 0
Special Revenue Funds		
Drug Fines	585	0
Enforcement Education	<u>145</u>	<u>0</u>
	730	0
Capital Projects Funds		
Mayor's Court Computer	620	0
ODNR Improvement	0	11,000
Sewer Capital Improvement	250,000	0
Avery Rd/E. Wallings Sewer	0	467,238
EPA Sewer	0	139,678
Avery Road	0	37,531
Streets Capital Improvement	<u>117,119</u>	<u>0</u>
	367,739	655,447
Trust and Agency Funds		
Mayor's Court	<u>0</u>	<u>20,019</u>
	<u>\$ 675,466</u>	<u>\$ 675,466</u>

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 11 PROPERTY TAXES

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

Real property taxes collected in 2001 were based on assessed value equal to thirty five percent of appraised value. The Cuyahoga County Auditor reappraises real property every six years with a triennial update, which last update was completed for 2000. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Cuyahoga County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 2001 before certain homestead and rollback reductions, which reductions are reimbursed to the City by the State of Ohio, amounted to \$ 9.40 per \$ 1,000 of assessed valuation. The effective rate applied after adjustment for inflationary increases in property values was \$ 6.41 per \$ 1, 000 of assessed valuation for residential and agricultural real property, and \$ 7.02 per \$ 1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30, of each year. The property is assessed for tax purposes at 25% of statutory true value. The tax rate applied to tangible personal property for the current year ended December 31, 2001 was \$9.40 per \$ 1,000 of valuation.

Property valuation consisted of:

Real Property - 2000		
Residential/Agrucultural	\$	346,939,020
Other Real Estate		71,839,810
Tangible Personal Property - 2001		
General		21,201,042
Public Utilities		<u>11,294,170</u>
Total Valuation	\$	<u><u>451,274,042</u></u>

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 12 PENSION PLANS

Public Employees Retirement System of Ohio (PERS)

All employees other than policemen and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. For 2001, the rate is 13.55% of annual covered payroll. The City's contribution to PERS for the years ended December 31, 2001, 2000, and 1999, were \$481,897, \$355,919, and \$381,700, respectively, equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999. For 2001, 77% has been contributed, with the remainder being reported as a liability within the general long-term debt account group.

Ohio Police and Fire Pension Fund (OP&F)

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

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

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to OP&P for the years ending December 31, 2001, 2000, and 1999, were \$522,987, \$466,372, and \$454,600, respectively, equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999. For 2001, 77% has been contributed, with the remainder being reported as a liability within the general long-term debt account group.

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio (PERS)

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

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate for local government employers rate was 13.55% of covered payroll and for law enforcement the contribution rate was 16.70%; 4.3% was the portion that was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. OPEB is advance-funded on an actuarially determined basis. The rates stated above are the actuarially determined contribution requirements for PERS. \$11,735.9 million represents the actuarial value of the Retirement System's net assets available for the future OPEB payments. The actuarially accrued liability and the unfunded actuarial accrued liability based on the actuarial cost method used, were \$14,364.6 million and \$2,268.7 million, respectively. The number of active contributing participants at December 31, 2000 was 411,076. The portion of the City's contributions that was used to fund postemployment benefits at December 31, 2001 was \$152,308.

Ohio Police and Fire Pension Fund (OP&F)

The Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB). The Ohio Revised Code provides that health care cost paid from the funds of Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

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

Health care funding and accounting is on a pay-as-you-go basis. Currently, 7.5% of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. The allocation is 7.75% in 2002. 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 number of participants eligible to receive health care benefits as of December 31, 2000 (the latest information available) was 12,853 for police and 10,037 for firefighters. The employer contributions actually made to pay postemployment benefits were \$116,734 for policemen and \$68,792 for firemen. The Fund's total health care expense for the year ending December 31, 2000 (the latest information available) was \$106,160,054, which was net of member contributions of \$5,567,431.

NOTE 14 CONTRIBUTED CAPITAL

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

Contributed Capital, 12/31/00	\$	8,958,847
Reductions, Depreciation		<u>(271,933)</u>
Contributed Capital, 12/31/01	\$	<u><u>8,686,914</u></u>

NOTE 15 RISK MANAGEMENT

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

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

NOTE 16 MUNICIPAL INCOME TAX

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

CITY OF BROADVIEW HEIGHTS, OHIO

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

NOTE 17 JOINTLY GOVERNED ORGANIZATION

The Southwest Council of Governments (the Council) helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each City's degree of control is limited to its representation on the board. In 2001, the City contributed \$7,500 for the Southwest Council of Governments annual dues. However, in 2001, the City did not contribute additional funds for the Southwest Emergency Response Team annual dues.

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

NOTE 18 CONTINGENCIES

The City of Broadview Heights, Ohio, is defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position, and would be covered by liability insurance maintained by the City.

NOTE 19 CONTRACTUAL COMMITMENTS

As of December 31, 2001 the City had contractual commitments as follows:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Outstanding 12/31/01</u>
Rt. 82 Improvement	<u>\$ 3,000,000</u>	<u>\$ (122,245)</u>	<u>\$ 2,877,755</u>

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

April 23, 2002

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

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

We have audited the general purpose financial statements of the City of Broadview Heights, Ohio, as of and for the year ended December 31, 2001, and have issued our report thereon dated April 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Broadview Heights, Ohio, general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Broadview Heights, Ohio, in a separate letter dated April 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Broadview Heights, Ohio, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. 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 general purpose 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 we have reported to management of City of Broadview Heights, Ohio, in a separate letter dated April 23, 2002.

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

Rea & Associates, Inc.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

CITY OF BROADVIEW HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 2, 2002**