



**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Cuyahoga County, Ohio, as of December 31, 2002, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General Fund and Special Revenue Street Resurfacing Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19 to the financial statements, the City experienced financial difficulties at December 31, 2002. The difficulties have resulted in deficit fund balances in the General Fund and other less significant funds. Management's corrective action plan is described in Note 19 to the financial statements. As described in Note 4 to the financial statements, during 2002, the City restated the Service Center Capital Projects Fund balance.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2003, 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule 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. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 6, 2003

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City of Garfield Heights, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2002
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, 2002. 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 2002 were as follows:

- _ Total net assets increased \$546,523 or 4.89 percent from 2001.
- _ Total assets of governmental activities increased by \$1,286,530, which represents a 2.32 percent increase over 2001.
- _ Total liabilities of governmental activities increased by \$740,007.
- _ New vehicle and machinery and equipment cash purchases during 2002 totaled over \$1,200,000.

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 long-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.

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 2002?" 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

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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, and Street Resurfacing, Service Center, and Various Improvement capital projects 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.

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 2002 compared to 2001.

(Table 1)
Net Assets

	Governmental Activities	
	2002	2001
Assets		
Current and Other Assets	\$16,633,454	\$15,781,558
Capital Assets, Net	40,026,178	39,591,544
<i>Total Assets</i>	56,659,632	55,373,102
Liabilities		
Current and Other Liabilities	15,834,047	15,987,576
Long-Term Liabilities:		
Due Within One Year	1,458,048	1,137,143
Due in More than One Year	27,646,733	27,074,102
<i>Total Liabilities</i>	\$44,938,828	\$44,198,821

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(Table 1)
 Net Assets (continued)

	Governmental Activities	
	2002	2001
Net Assets		
Invested in Capital Assets Net of Debt	\$13,299,613	\$13,461,544
Restricted:		
Capital Projects	316,157	0
Debt Service	1,589,682	1,988,370
Other Purposes	1,090,673	143,391
Unrestricted	(4,575,321)	(4,419,024)
<i>Total Net Assets</i>	\$11,720,804	\$11,174,281

Current and other assets increased by \$851,896, while capital assets (net of depreciation) increased by \$434,634, thus creating an increase in total assets of \$1,286,530. Total combined equity in pooled cash and cash equivalents decreased by \$245,534 between 2001 and 2002.

Current and other liabilities decreased by \$153,529 due to reductions in deferred revenue and accrued interest payables.

Net assets of the City's governmental activities increased by \$546,523, with unrestricted net assets decreasing \$156,297. Unrestricted assets are not enough to pay liabilities. This has been identified by the presentation of the new financial statements. Management is discussing the long-term effect for the City.

The City of Garfield Heights is attempting to stabilize certain long-term liabilities such as compensated absences. In 2002, the City successfully negotiated various forms of accumulated vacation and sick leave buy backs. To this extent, the employees' 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 employees and the City. The employee wins by having 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 since it is buying back hours of accumulated sick leave/vacation accruals at today's hourly rate of pay instead of the employee's hourly rate at some point in the future.

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Table 2 shows the Changes in Net Assets for the year ended December 31, 2002.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2002</u>	<u>2001</u>
Revenues		
<i>Program Revenues</i>		
Charges for Services	\$3,252,468	\$3,620,742
Operating Grants and Contributions	1,321,273	1,308,838
Capital Grants and Contributions	585,101	56,156
<i>Total Program Revenues</i>	<u>5,158,842</u>	<u>4,985,736</u>
<i>General Revenues</i>		
Property Taxes	7,736,285	7,501,955
Municipal Income Tax	9,064,863	8,581,775
Grants and Entitlements not Restricted to Specific Programs	3,749,324	4,010,567
Investment Earnings	33,330	128,915
Gain on Sale of Capital Assets	13,413	0
Miscellaneous	1,661,707	1,291,204
<i>Total General Revenues</i>	<u>22,258,922</u>	<u>21,514,416</u>
<i>Total Revenues</i>	<u>27,417,764</u>	<u>26,500,152</u>
Program Expenses		
General Government	7,466,623	8,247,477
Security of Persons and Property	11,280,319	11,193,936
Public Health Services	583,626	535,993
Transportation	2,659,189	2,560,241
Community Development	210,908	265,079
Basic Utility Services	2,240,945	2,458,351
Leisure Time Activities	1,276,114	1,199,089
Interest and Fiscal Charges	1,153,517	1,295,753
<i>Total Program Expenses</i>	<u>26,871,241</u>	<u>27,755,919</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$546,523</u>	<u>(\$1,255,767)</u>

The above table shows some significant changes occurring in the City of Garfield Heights. Program revenues increased \$173,106, general revenues increased \$744,506, thus resulting in an overall increase in total revenues of \$917,612. Reductions in program expenses in the areas of general government, community development, basic utility services, and interest and fiscal charges combined to result in an overall decrease in total program

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expenses of \$884,678. The net effect of these revenue increases and expense decreases is that a decrease in net assets of (\$1,255,767) in 2001 turned into an increase in net assets of \$546,523 in 2002.

Governmental Activities

Several revenue sources fund our governmental activities. Under the accrual basis of accounting, the City income taxes accounted for \$9,064,863 or 33.06 percent of total revenues; property taxes accounted for \$7,736,285 or 28.22 percent of gross revenues; grants and entitlements accounted for \$3,749,324 or 13.67 percent of gross revenues; and charges for services accounted for \$3,252,468 or 11.86 percent of gross revenues. The income tax rate of 2.0 percent, with a 100 percent credit for payments made to other Cities, was approved by a vote of our citizens in 1982, which took effect in January of 1983.

Major expense activities under the accrual basis of accounting, included: security of persons and property expenses accounted for 41.98 percent of total program expenses; general government expenditures accounted for 27.79 percent; transportation accounted for 9.90 percent; and basic utility accounting for 8.34 percent. Overall, there was a total reduction in program expenses of \$884,678 over 2001 program expense totals. 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. Review of these statements will reveal that all government funds had total revenues of \$26,518,722 and total expenditures of \$34,217,409. With the factoring in of other financing sources, mainly the issuance of \$7,300,000 in bonds discussed herein, the net effect for all government funds was a deficit balance of \$4,775,116. This may seem alarming, however under GAAP reporting requirements all short term borrowing in note funds must be accounted for in total as a liability in that period until such time as they are bonded by the City. Two of the five major funds reported by the City of Garfield Heights in these statements are funds used for various construction projects, which according to the requirements, reported deficit fund balances of \$4,646,340. With this liability removed from the presentation, the statements would show a much healthier fund balance for the City's operational funds. Remember, it is the operational funds through which the City provides services such as police and fire protection to our residents.

It may seem in this discussion and analysis, with the talk of increases in revenues; decreases in expenses; and positive fund balances, that everything is just fine in Garfield Heights. However, Garfield Heights has not been immune to the resulting economic conditions of our country brought on by the terrorist acts of September 11, 2001, the effects of the recent war in the mid-east, and the economic slow down that has had a grip on this country. A deeper analysis of these statements will show that the fund balance of the City's General Fund, the City's main operational fund, decreased by \$756,375, leaving an accrued fund balance of only \$46,517 at year end. Furthermore the balance sheet indicates that this balance is in the form of receivables, not in cash or cash reserves. Comparison of the general fund budgetary information with the actual fund specifics indicates that there were many areas where variances were quite significant. There were three major factors that resulted in the loss of actual cash revenues during 2002 that caused the drastic reduction in the fund and resulted in a negative fund balance. These were: 1) an increase in the delinquency factor for property tax collections; 2) a loss of inheritance tax revenue due to a change in State Law as to the size of an estate on which the tax applies; and

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3) a loss in the local government revenue from the State of Ohio. These three factors combined to create over \$600,000 in lost revenue to the City during 2002. Combine this with the cash purchase of over \$1,200,000 for new vehicles and machinery for the various City departments, and the net effect is the negative balances and decreases identified in these statements. Many of these purchases were due to long term contracts from the prior year that could not be postponed to a future period. It is unfortunate that all these factors impacted the City of Garfield Heights all at the same time; however, even with this negative impact, the City has weathered the storm quite well. The City's income tax collections have maintained their pre-slowdown level and through the first quarter of 2003, collections have been slightly higher than the first quarter of 2002. Additionally, as discussed later in this analysis, private development has continued in the City of Garfield Heights throughout the slowdown, with the addition of many new facilities and many more in the planning phases. It is through this new development that the City has been able to maintain the level of its income tax collections versus having a declining income tax base.

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 2002, 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 the major activities such as the police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely for possible revenue shortfalls or over spending by individual departments.

For the General Fund, original budgeted revenues were \$18,654,466; final budget amounts were \$18,947,935; and actual revenue collections were \$17,895,859. The three major factors contributing to the decrease of actual revenues over the final budgeted amounts were decreases in revenues for the categories of intergovernmental, property and other taxes and municipal income taxes. The City of Garfield Heights' ending balance in the general fund was \$515,544 below the final budgeted amount, thus resulting in a deficit fund balance of \$469,997. As discussed in the previous section, the City's actual income tax collections for the first four months of 2003 have maintained their pre-slowdown level and have been slightly higher with respect to the same period during 2002. Also, the City has made adjustments during the later part of 2002 and early 2003 to reduce the impact of these revenue shortfalls. Should the general economic conditions of the area continue their downward spiral, the City administration and elected officials will have to make some decisive decisions in regards to either some stricter controls placed on expenditures, increases in locally generated revenues, or some mix of the two, in order to avoid further economic distress to the City of Garfield Heights.

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Capital Assets and General Long-Term Obligations

Capital Assets

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

	Governmental Activities	
	2002	2001
Land	\$1,432,331	\$1,414,432
Buildings	12,618,285	12,972,602
Improvements other than Buildings	3,170,885	2,630,957
Vehicles	2,581,335	1,943,294
Machinery and Equipment	1,681,604	1,761,037
Furniture and Fixtures	297,883	313,376
Infrastructure	18,243,855	18,555,846
Total	\$40,026,178	\$39,591,544

Increases in capital assets occurred in only three areas: land; improvements other than buildings; and vehicles. The slight increase in land values was due to the transfer of property that did not sell at the County Sheriff's foreclosure auction. The value of these properties is not as important as is the location of the property. The majority of these parcels are located in the Broadway Corridor area of the City, which is an area that has been designated by the City for redevelopment and its significance will be discussed in detail later in this analysis. The increase in improvements other than buildings was due to the renovation of the City's Fire Station #2, which operates in the northern most area of the City. The most significant increase in capital assets was in the area of vehicles. The City added over \$1,000,000 in vehicle value during 2002. Of this total value, over \$700,000 was paid for in cash. The disposal/destruction of City assets and the factoring in of depreciation expense in all areas of asset valuation reduced these increases to a net increase in total capital assets of only \$434,634 over the 2001 capital asset valuation. For more information about the City's capital assets, see note 8 to the basic financial statements.

General Long-Term Obligations

At December 31, 2002 the City of Garfield Heights had \$29,193,000 in outstanding General Obligation Bonds, Special Assessment Bonds and Notes. The City's overall legal debt margin at December 31, 2002 was \$20,172,062. Table 4 indicates the total outstanding long-term obligations of the City.

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

	Governmental Activities	
	2002	2001
General Obligation Bonds	\$22,360,304	\$16,010,510
Special Assessment Bonds	1,532,696	1,619,490
Notes	5,300,000	10,600,000
Police and Fire Loan	702,436	712,359
Capital Leases	333,565	0
Total	\$30,229,001	\$28,942,359

The decrease in notes and the increase in general obligation bonds in Table 4 above were due to the issuance of \$7,300,000 in bonds during 2002. This bond issue was due to the completion of construction of the City's new 5-building Service Garage Complex. The \$5,300,000 remaining in notes at the end of 2002 relate to various street resurfacing, various improvements and a recreation facility. As these projects are completed in the future, these funds will be eliminated and the actual project costs will be bonded by the City. One of the City's major funds is the bond retirement fund, which is specifically set up for the accumulation and payment of the City's annual principal and interest requirements of the general obligation and special assessment bonds identified above.

The police and fire loan shown in Table 4 above, in the amount of \$702,436, 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 principal and interest, for this obligation total \$40,094 annually through the year 2035. For more information about the City's debt, see notes 10 and 12 to the basic financial statements.

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. For the period 1985 to 2000, the City expended, on average, \$750,000 annually on various roadway-maintenance resurfacing projects. During 2001, the City's roadway maintenance program totaled \$960,198 and during 2003 the City will invest approximately \$1,500,000 in roadway renovations. Additionally, over the past ten years, the City has converted two of the last three 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 the Administrative Offices and our Senior Citizens Programs; constructed a new Fire Station and completed a new Service Garage Complex in 2001.

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During the period 1996 through 2001, the City also purchased and paid cash for over two million dollars worth of vehicles and equipment. Some of the items included in these purchases have been: a new Pumper truck and ambulance for the fire department; on average seven new police cruisers per year; three new 13-passenger buses for senior citizen programs and a variety of pickup trucks, vans, salt trucks, low pro dump trucks, and other road and non-road equipment for service and recreation departments. During 2002 the City added over a million dollars worth of new vehicles to the City's vehicle fleet with over \$700,000 being paid for in cash. 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 1990'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 Avenue/McCracken Road Development District and the I-480/Transportation Boulevard Development District. Both of these districts offer excellent access to the Interstate Highway System via I-480 access from Broadway Avenue and Transportation Boulevard, respectively. The residents of the City have been very receptive to this increased development within the City and have shown their acceptance through numerous rezoning issues placed before them throughout the 1990's. The two zoning districts added in the early 1990'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. During 2002, the City was in the process of amassing a three-acre plot of land through our Land Revitalization Program. This plot will be combined with another five-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 five – ten years is the decision, during 2001 by the Norfolk/Southern Railroad to locate a new Intermodal Facility off Broadway Avenue in our sister City of Maple Heights. This facility is located about a mile and a half from the Garfield Heights border. Access to the Interstate Highway system from this location is via the Broadway Avenue entrance, which is in Garfield Heights. This facility was constructed through the summer of 2001 and was operational in late fall 2001. The City's projection of increased development in this area, due to the Intermodal Facility, has already started. Two companies have already constructed and occupied office/warehouse buildings in this area. Another contractor has amassed a 20-acre block of land in this area for future development. In addition to this private investment in this area, the City has recently been granted both a State Issue II and Community Development Block Grant monies for the reconstruction of the East 131st Street/Broadway Intersection and the addition of another traffic lane in Broadway Avenue from Easy 131st Street to the I-480 entrance ramp. This improvement will help to spur the development in the Broadway Corridor section of the development district by improving the traffic patterns and access to the Interstate Highway System. The applications for this funding was initiated due to a County Planning Commission analysis of the industrial impact of the facility and an engineering analysis of the traffic patterns that would result from the expected development in this area.

New development and expansion is also continuing in the I-480/Transportation Development District. Through the 1990's, the City's economic development programs were responsible for the development of five multi-million dollar Office/Flex Space facilities in this development district. Currently, the first of two building site was recently completed and is approximately 50 percent occupied. The plans for the second building have been approved. 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

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Boulevard through to Rockside Road and will encompass the development of 600 acres of undeveloped land, 200 acres in Garfield Heights and 400 acres in the 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, and will be constructed over a 10-year period. In April of 2001, the City and developer received the final EPA approval for this project, as it also encompasses the reclamation of 200 acres of brownfield landfill property. On May 18, 2001 there was a ceremonial ground breaking ceremony, and the developer set a start date for the project of June 2001. During 2001, the developer completed the first phase of the landfill reclamation process. Currently, the Heritage Development Company has almost completed plans for a 650,000 sq. ft. development on about 70 acres of land in this area, including 60 acres of landfill area south of Antenucci Blvd.

Contacting the City's Finance Department

This financial report is designed to provide the 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, 2002

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,025,198
Cash and Cash Equivalents With Fiscal Agents	5,972
Accounts Receivable	156,320
Intergovernmental Receivable	3,069,443
Prepaid Items	28,310
Materials and Supplies Inventory	63,860
Taxes Receivable	10,693,255
Special Assessments Receivable	1,532,696
Deferred Charges	58,400
Land and Construction in Progress	1,432,331
Depreciable Capital Assets, Net	<u>38,593,847</u>
<i>Total Assets</i>	<u>56,659,632</u>
Liabilities	
Accounts Payable	487,645
Contracts Payable	67,402
Accrued Wages	194,981
Retainage Payable	22,067
Intergovernmental Payable	806,780
Deferred Revenue	8,604,290
Matured Bonds and Interest Payable	5,972
Accrued Interest Payable	151,063
Notes Payable	5,300,000
Claims Payable	193,847
Long-Term Liabilities:	
Due Within One Year	1,458,048
Due In More Than One Year	<u>27,646,733</u>
<i>Total Liabilities</i>	<u>44,938,828</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	13,299,613
Restricted for:	
Capital Projects	316,157
Debt Service	1,589,682
Other Purposes	1,090,673
Unrestricted (Deficit)	<u>(4,575,321)</u>
<i>Total Net Assets</i>	<u>\$11,720,804</u>

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Statement of Activities
For the Year Ended December 31, 2002

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$7,466,623	\$2,490,361	\$0	\$0	(\$4,976,262)
Security of Persons and Property	11,280,319	331,755	0	0	(10,948,564)
Public Health Services	583,626	16	82,986	0	(500,624)
Transportation	2,659,189	0	920,028	0	(1,739,161)
Community Development	210,908	0	318,259	0	107,351
Basic Utility Services	2,240,945	46,762	0	585,101	(1,609,082)
Leisure Time Activities	1,276,114	383,574	0	0	(892,540)
Interest and Fiscal Charges	1,153,517	0	0	0	(1,153,517)
<i>Totals</i>	\$26,871,241	\$3,252,468	\$1,321,273	\$585,101	(21,712,399)
General Revenues					
Property Taxes Levied for:					
					5,627,256
					747,915
					973,086
					388,028
Income Tax Levied for:					
					6,799,744
					1,087,958
					634,643
					542,518
Grants and Entitlements not					
					3,749,324
					33,330
					1,661,707
					13,413
					22,258,922
					546,523
					11,174,281
					\$11,720,804

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio

Balance Sheet

Governmental Funds

December 31, 2002

	General	Street Resurfacing	Bond Retirement	Various Improvement
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$0	\$0	\$149,978	\$0
Cash and Cash Equivalents				
With Fiscal Agents	0	0	5,972	0
Receivables:				
Taxes	7,719,408	0	1,353,144	0
Accounts	124,942	0	0	0
Intergovernmental	1,925,775	0	63,208	0
Special Assessments	0	0	1,532,696	0
Interfund Receivable	0	0	0	0
Prepaid Items	25,800	0	0	0
Materials and Supplies Inventory	19,468	0	0	0
<i>Total Assets</i>	<u>\$9,815,393</u>	<u>\$0</u>	<u>\$3,104,998</u>	<u>\$0</u>
Liabilities				
Accounts Payable	\$347,209	\$0	\$0	\$0
Contracts Payable	57,776	0	0	0
Accrued Wages	153,471	0	0	0
Retainage Payable	1,396	0	0	20,671
Intergovernmental Payable	147,458	0	1,352	0
Interfund Payable	216,721	0	0	0
Deferred Revenue	8,686,438	0	2,904,854	0
Matured Bonds and Interest Payable	0	0	5,972	0
Accrued Interest Payable	0	8,919	0	16,750
Notes Payable	0	2,100,000	0	2,500,000
Claims Payable	158,407	0	0	0
<i>Total Liabilities</i>	<u>9,768,876</u>	<u>2,108,919</u>	<u>2,912,178</u>	<u>2,537,421</u>
Fund Balances				
Reserved for Encumbrances	9,563	0	0	0
Unreserved, Undesignated, Reported in:				
General Fund	36,954	0	0	0
Special Revenue Funds	0	(2,108,919)	0	0
Debt Service Funds	0	0	192,820	0
Capital Projects Funds (Deficit)	0	0	0	(2,537,421)
<i>Total Fund Balances (Deficit)</i>	<u>46,517</u>	<u>(2,108,919)</u>	<u>192,820</u>	<u>(2,537,421)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,815,393</u>	<u>\$0</u>	<u>\$3,104,998</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2002*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	(\$4,775,116)
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$875,220	\$1,025,198	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	40,026,178
0	5,972		
1,620,703	10,693,255	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
31,378	156,320	Property Taxes	634,311
1,080,460	3,069,443	Income Taxes	1,584,163
0	1,532,696	Intergovernmental	2,508,183
522,489	522,489	Special Assessments	<u>1,532,696</u>
2,510	28,310		
44,392	63,860	Total	6,259,353
<u>\$4,177,152</u>	<u>\$17,097,543</u>	Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(618,956)
\$140,436	\$487,645	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(124,274)
9,626	67,402		
41,510	194,981	In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	58,400
0	22,067		
39,014	187,824	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:	
305,768	522,489	General Obligation Bonds	(22,360,304)
3,272,351	14,863,643	Special Assessment Bonds	(1,532,696)
0	5,972	Capital Leases	(333,565)
1,120	26,789	Compensated Absences	(3,978,697)
700,000	5,300,000	Police and Fire Liability	(702,436)
35,440	193,847	Claims	<u>(197,083)</u>
<u>4,545,265</u>	<u>21,872,659</u>	Total	<u>(29,104,781)</u>
16,654	26,217	<i>Net Assets of Governmental Activities</i>	<u>\$11,720,804</u>
0	36,954		
434,001	(1,674,918)		
0	192,820		
(818,768)	(3,356,189)		
<u>(368,113)</u>	<u>(4,775,116)</u>		
<u>\$4,177,152</u>	<u>\$17,097,543</u>		

City of Garfield Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002

	General	Street Resurfacing	Bond Retirement	Service Center	Various Improvement
Revenues					
Property and Other Taxes	\$5,402,676	\$0	\$923,694	\$0	\$0
Municipal Income Taxes	6,708,758	0	626,151	0	0
Special Assessments	0	0	86,794	0	0
Charges for Services	1,256,316	0	0	0	0
Fees, Licenses and Permits	205,813	0	0	0	0
Fines and Forfeitures	665,594	0	0	0	0
Intergovernmental	2,844,860	0	251,008	0	264,095
Interest	14,032	0	19,076	0	0
Rentals	23,899	0	0	0	0
Franchise Fees	215,289	0	0	0	0
Other	632,145	0	6,385	0	0
<i>Total Revenues</i>	<u>17,969,382</u>	<u>0</u>	<u>1,913,108</u>	<u>0</u>	<u>264,095</u>
Expenditures					
Current:					
General Government	6,382,685	0	193,555	0	0
Security of Persons and Property	9,567,072	0	0	0	0
Public Health Services	154,027	0	0	0	0
Transportation	0	6,713	0	0	0
Community Development	12,931	0	0	0	0
Basic Utility Service	1,411,942	0	0	0	0
Leisure Time Activities	0	0	0	0	0
Capital Outlay	0	0	0	0	72,771
Debt Service:					
Principal Retirement	0	0	1,037,000	6,000,000	0
Interest and Fiscal Charges	0	18,956	1,087,985	72,088	40,899
Bond Issuance Costs	0	0	58,400	0	0
<i>Total Expenditures</i>	<u>17,528,657</u>	<u>25,669</u>	<u>2,376,940</u>	<u>6,072,088</u>	<u>113,670</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>440,725</u>	<u>(25,669)</u>	<u>(463,832)</u>	<u>(6,072,088)</u>	<u>150,425</u>
Other Financing Sources (Uses)					
Sale of Fixed Assets	41,800	0	0	0	0
Inception of Capital Lease	237,932	0	0	0	0
General Obligation Bonds Issued	0	0	300,000	7,000,000	0
Transfers In	0	52,949	400,000	72,088	79,896
Transfers Out	(1,476,832)	0	(204,933)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,197,100)</u>	<u>52,949</u>	<u>495,067</u>	<u>7,072,088</u>	<u>79,896</u>
<i>Net Change in Fund Balances</i>	<u>(756,375)</u>	<u>27,280</u>	<u>31,235</u>	<u>1,000,000</u>	<u>230,321</u>
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 4)</i>	<u>802,892</u>	<u>(2,136,199)</u>	<u>161,585</u>	<u>(1,000,000)</u>	<u>(2,767,742)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$46,517</u>	<u>(\$2,108,919)</u>	<u>\$192,820</u>	<u>\$0</u>	<u>(\$2,537,421)</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, 2002*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$6,522)
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$1,097,834	\$7,424,204	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
1,608,639	8,943,548	Capital Outlay	2,516,670
0	86,794	Depreciation	<u>(1,995,655)</u>
186,153	1,442,469	Total	521,015
350,838	556,651	Governmental funds only report the disposal of fixed assets to the extent extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(86,381)
364,074	1,029,668	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
1,741,200	5,101,163	Property Taxes	312,081
222	33,330	Special Assessments	(86,794)
0	23,899	Income Tax	121,315
0	215,289	Intergovernmental	554,535
1,023,177	1,661,707	Charges for Services	<u>(15,508)</u>
6,372,137	26,518,722	Total	885,629
		Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets.	
217,201	6,793,441	General Obligation Bonds Issued	(7,300,000)
1,387,171	10,954,243	Inception of Lease	<u>(333,565)</u>
380,491	534,518	Total	(7,633,565)
1,748,429	1,755,142	Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	7,046,923
195,029	207,960	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	97,671
621,462	2,033,404	In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	58,400
1,140,910	1,140,910	Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represent contractually required pension contributions) do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
2,368,509	2,441,280	Compensated Absences	(250,804)
9,923	7,046,923	Claims	(114,224)
31,260	1,251,188	Pension Obligation	<u>28,381</u>
0	58,400	Total	<u>(336,647)</u>
8,100,385	34,217,409	Change in Net Assets of Governmental Activities	\$546,523
(1,728,248)	(7,698,687)		
16,800	58,600		
95,633	333,565		
0	7,300,000		
1,476,832	2,081,765		
(400,000)	(2,081,765)		
1,189,265	7,692,165		
(538,983)	(6,522)		
170,870	(4,768,594)		
(\$368,113)	(\$4,775,116)		

City of Garfield Heights, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Property and Other Taxes	\$5,570,144	\$5,493,373	\$5,402,676	(\$90,697)
Municipal Income Taxes	7,187,389	7,175,322	6,773,906	(401,416)
Charges for Services	1,269,278	1,147,731	1,231,117	83,386
Fees, Licenses and Permits	172,018	144,235	166,846	22,611
Fines and Forfeitures	521,735	570,000	506,049	(63,951)
Intergovernmental	3,016,763	3,689,930	2,926,957	(762,973)
Interest	14,467	25,000	14,032	(10,968)
Rentals	24,640	30,000	23,899	(6,101)
Francise Fees	221,962	202,000	215,289	13,289
Other	656,070	470,344	635,088	164,744
<i>Total Revenues</i>	<u>18,654,466</u>	<u>18,947,935</u>	<u>17,895,859</u>	<u>(1,052,076)</u>
Expenditures				
Current:				
General Government	6,118,200	6,241,956	5,935,870	306,086
Security of Persons and Property	9,979,162	9,731,147	9,625,158	105,989
Public Health and Welfare	166,404	167,718	159,955	7,763
Community Development	13,185	18,812	17,805	1,007
Basic Utility Service	1,353,453	1,416,689	1,301,003	115,686
<i>Total Expenditures</i>	<u>17,630,404</u>	<u>17,576,322</u>	<u>17,039,791</u>	<u>536,531</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,024,062</u>	<u>1,371,613</u>	<u>856,068</u>	<u>(515,545)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	41,800	41,800	41,800	0
Transfers Out	(1,476,833)	(1,476,833)	(1,476,832)	1
<i>Total Other Financing Sources (Uses)</i>	<u>(1,435,033)</u>	<u>(1,435,033)</u>	<u>(1,435,032)</u>	<u>1</u>
<i>Net Change in Fund Balance</i>	(410,971)	(63,420)	(578,964)	(515,544)
<i>Fund Balance Beginning of Year</i>	58,175	58,175	58,175	0
Prior Year Encumbrances Appropriated	50,792	50,792	50,792	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$302,004)</u>	<u>\$45,547</u>	<u>(\$469,997)</u>	<u>(\$515,544)</u>

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Resurfacing Fund
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Transportation	6,713	6,713	6,713	0
Debt Service:				
Principal Retirement	2,100,000	2,100,000	2,100,000	0
Interest and Fiscal Charges	62,927	57,826	57,826	0
<i>Total Expenditures</i>	2,169,640	2,164,539	2,164,539	0
<i>Excess of Revenues Under Expenditures</i>	(2,169,640)	(2,164,539)	(2,164,539)	0
Other Financing Sources				
General Obligation Notes Issued	2,150,000	2,100,000	2,100,000	0
Transfers In	55,000	52,949	52,949	0
<i>Total Other Financing Sources</i>	2,205,000	2,152,949	2,152,949	0
<i>Net Change in Fund Balance</i>	35,360	(11,590)	(11,590)	0
<i>Fund Balance Beginning of Year</i>	11,590	11,590	11,590	0
<i>Fund Balance End of Year</i>	\$46,950	\$0	\$0	\$0

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2002

	<u>Agency</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	<u>\$130,122</u>
Liabilities	
Due to Others	<u>\$130,122</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, 2002

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 the agencies and departments that provide the following services: 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 participates in 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 18 to the basic financial statements.

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.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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 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 uses 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. 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.

Street Resurfacing Fund The street resurfacing fund accounts for note proceeds to be used to maintain streets.

Bond Retirement Fund The bond retirement fund receives property and income taxes for the payment of general long-term debt principal, interest and related costs for various City improvements.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Service Center Fund The service center fund accounts for note proceeds to be used to construct a service center facility.

Various Improvement Fund The various improvement fund accounts for note proceeds to be used for the repair, construction, or improvement of streets.

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 has no trust funds. The City's agency fund is purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency fund accounts for the municipal court's activity due to other cities.

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. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total 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.

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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one 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 exchange on which the tax is imposed takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. See

City of Garfield Heights, Ohio
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For the Year Ended December 31, 2002

Note 7. 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 taxes, interest, tuition, grants, fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 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.

E. Budgetary Process

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

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

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

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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. Interest in the pool is presented as "equity in pooled cash and cash equivalents". The City had no investments during the year or at year end.

The municipal court special services special revenue and the permanent improvement, park facilities and municipal court improvements capital projects funds made an advance to the general, recreation, street construction maintenance and repair, federal nutrition and community development special revenue funds to eliminate the funds' negative cash balances. The general and special revenue funds have interfund payables for the amount of the advance received from the special revenue and capital projects funds have an interfund receivable for the same amount on the combined balance sheet.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2002 amounted to \$14,032, all of which was 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."

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

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002 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.

I. Capital Assets

The City's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. 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.

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:

City of Garfield Heights, Ohio
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Description	Estimated Lives
Buildings	5 - 50 years
Vehicles	3 - 7 years
Improvements Other than Buildings	5 - 50 years
Machinery and Equipment	3 - 25 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 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.

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 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 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 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. Other purposes include street maintenance and repair, community development, nutrition program for seniors and street lighting.

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

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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.

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.

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 3 - 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 Balance - Budget (Non-GAAP Basis) and Actual are presented in the basic financial statements for the General Fund and Major Special Revenue Fund. 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. 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, 2002

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

	General	Street Resurfacing
GAAP Basis	(\$756,375)	\$27,280
Net Adjustment for Revenue Accruals	79,160	0
Beginning Unrecorded Cash	(318,480)	0
Ending Unrecorded Cash	165,797	0
Note Proceeds	0	2,100,000
Net Adjustment for Expenditure Accruals	338,413	0
Principal Retirement	0	(2,100,000)
Interest and Fiscal Charges	0	(38,870)
Encumbrances	(87,479)	0
Budget Basis	(\$578,964)	(\$11,590)

Note 4 – Restatement of Fund Balance/Net Assets

During 2002, it was determined that contracts payable was overstated by \$121,706 in the street resurfacing special revenue fund. This restatement caused the fund balance to increase from (\$2,257,905) to (\$2,136,199) at December 31, 2001.

During 2002, it was determined that contracts payable and retainage payable were overstated by \$260,648 in the service center capital projects fund. This restatement caused the fund balance to increase from (\$1,260,648) to (\$1,000,000) at December 31, 2001.

During 2002, it was determined that contracts payable, retainage payable, claims payable and capital assets were overstated at December 31, 2001. These restatements had the following effect on net assets as they were previously reported.

Net Assets, December 31, 2001	\$10,672,692
Contracts Payable	381,536
Retainage Payable	818
Claims Payable	120,467
Capital Assets	(1,232)
Adjusted Net Assets, December 31, 2001	\$11,174,281

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 5 - Accountability and Compliance

A. Accountability

The following funds had deficit fund balances as of December 31, 2002:

<i>Special Revenue Funds</i>	
Recreation	\$32,233
Street Construction, Maintenance and Repair	79,644
Federal Nutrition	21,102
Community Development	12,137
Street Resurfacing	2,108,919
<i>Capital Projects Funds</i>	
Various Improvement	2,537,421
Park Facilities	205,715

The special revenue funds' 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 funds' deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, these deficits will be eliminated.

B. Compliance

The following funds had original appropriations in excess of original estimated resources plus available balances contrary to Section 5705.39, Revised Code. These weaknesses were corrected by year end.

Fund	Estimated Resources plus Carryover Balances	Appropriations	Excess
General	\$18,754,442	\$19,061,782	\$307,340
<i>Special Revenue Funds</i>			
Street Construction, Maintenance and Repair	1,561,098	1,660,238	99,140
Community Development	90,889	164,800	73,911
Recreation	1,053,282	1,081,115	27,833
Municipal Court Special Services	186,133	210,000	23,867
Federal Nutrition	340,517	372,671	32,154
<i>Debt Service Fund</i>			
Bond Retirement	2,327,665	2,738,581	410,916
<i>Capital Projects Funds</i>			
Permanent Improvement	595,254	1,238,229	642,975
Service Center	5,605,136	6,382,835	777,699
Municipal Court Improvement	496,216	500,772	4,556

City of Garfield Heights, Ohio
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The indigent drivers special revenue fund had expenditures plus encumbrances in excess of appropriations in the amount of \$15,502, while other funds had expenditures in excess of appropriations, throughout the year, contrary to Ohio Revised Code Section 5705.41.

The City had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10:

General Fund	\$216,721
Special Revenue Funds	
Recreation	29,726
Street Maintenance and Repair	139,116
Community Development	16,165
Federal Nutrition	20,761

Although these budgetary violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to prevent future violations.

Note 6 - 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 five 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.

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;

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
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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.

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.

Deposits At year-end, the carrying amount of the City's deposits was \$1,161,292 and the bank balance was \$1,665,501. Of the bank balance, \$300,336 was covered by federal depository insurance and \$1,365,165 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 7 - Receivables

Receivables at December 31, 2002 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.

Special assessments expected to be collected in more than one year amount to \$1,441,132 in the bond retirement fund. At December 31, 2002 the amount of delinquent special assessments was \$48,879.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 2002 for real and public utility property taxes represents collections of the 2001 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

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. 2002 public utility property taxes which became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2002, was \$20.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$319,150,550
Other Real Estate	83,974,640
Public Utility	17,252,720
Tangible Personal Property	<u>33,332,054</u>
Total Assessed Value	<u><u>\$453,709,964</u></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 represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2002, and for which there is an enforceable legal claim. In the general, bond retirement, fire pension, police pension, recreation, street lights, and permanent improvement funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2002 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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.

C. Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Local Government	\$1,025,278
Grants	674,140
Homestead and Rollback	507,732
Gas Tax	378,649
Municipal Court Costs	159,545
Estate Tax	98,727
Motor Vehicle License	94,922
Public Utility	80,730
Prisoner Rebillings	13,795
Indigent	10,107
City of Bedford	9,385
Immobilization Fees	8,900
Liquor Permits	5,150
Dare	1,691
Hotel/Motel Tax	692
<i>Total Intergovernmental Receivables</i>	<i>\$3,069,443</i>

Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2002, was as follows:

	Balance 12/31/01	Additions	Deductions	Balance 12/31/01
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$1,414,432	\$18,528	(\$629)	\$1,432,331

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

	Balance 12/31/01	Additions	Deductions	Balance 12/31/01
<i>Capital Assets, Being Depreciated</i>				
Buildings	\$15,848,117	\$0	\$0	\$15,848,117
Improvements Other than Buildings	3,776,440	655,048	(3,425)	4,428,063
Vehicles	3,936,006	1,019,542	(497,086)	4,458,462
Machinery and Equipment	3,408,002	206,965	(91,832)	3,523,135
Furniture and Fixtures	607,766	14,913	(4,256)	618,423
Infrastructure				
Roads	19,987,065	601,673	0	20,588,738
Sanitary Sewers	3,274,217	0	0	3,274,217
Storm Sewers	1,171,516	0	0	1,171,516
Water Supply Lines	661,641	0	0	661,641
<i>Total Capital Assets, Being Depreciated</i>	<u>52,670,770</u>	<u>2,498,141</u>	<u>(596,599)</u>	<u>54,572,312</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(2,875,515)	(354,317)	0	(3,229,832)
Improvements Other than Buildings	(1,145,483)	(115,120)	3,425	(1,257,178)
Vehicles	(1,992,712)	(312,357)	427,941	(1,877,128)
Machinery and Equipment	(1,646,965)	(272,977)	78,410	(1,841,532)
Furniture and Fixtures	(294,390)	(27,221)	1,071	(320,540)
Infrastructure				
Roads	(5,847,430)	(811,516)	0	(6,658,946)
Sanitary Sewers	(443,672)	(65,484)	0	(509,156)
Storm Sewers	(192,171)	(23,430)	0	(215,601)
Water Supply Lines	(55,319)	(13,233)	0	(68,552)
<i>Total Accumulated Depreciation</i>	<u>(14,493,657)</u>	<u>(1,995,655) *</u>	<u>510,847</u>	<u>(15,978,465)</u>
<i>Total Capital Assets being Depreciated, Net</i>	<u>38,177,112</u>	<u>502,486</u>	<u>(85,752)</u>	<u>38,593,847</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$39,591,544</u>	<u>\$521,015</u>	<u>(\$86,381)</u>	<u>\$40,026,178</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$454,536
Security of Persons and Property	356,399
Public Health Services	51,289
Transportation	900,032
Community Development	310
Basic Utility Services	120,600
Leisure Time Activities	112,489
Total Depreciation Expense	<u>\$1,995,655</u>

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 9 - Long-Term Obligations

Changes in long-term obligations of the City during the year ended December 31, 2002 were as follows:

	Outstanding 12/31/2001	Additions	Reductions	Outstanding 12/31/2002	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
1986 7.25% \$1,450,000					
Street Improvement	\$375,000	\$0	(\$75,000)	\$300,000	\$75,000
1994 4.05%-6.3% \$3,800,000					
Various Purpose Improvement	2,665,000	0	(145,000)	2,520,000	150,000
1996 4.7%-6.625% \$810,000					
Various Purpose - Canal Warner	31,783	0	(1,383)	30,400	1,613
1996 4.7%-6.625% \$610,000					
Various Purpose - Sunset	78,727	0	(3,823)	74,904	3,823
1996 4.7%-6.625% \$3,190,000					
Various Purpose - Streets	2,930,000	0	(130,000)	2,800,000	140,000
1998 3.65%-4.6% \$2,645,000					
Justice Center Refunding	2,275,000	0	(250,000)	2,025,000	255,000
1998 3.65%-4.6% \$3,775,000					
Civic Center Refunding	3,645,000	0	(180,000)	3,465,000	185,000
1998 3.6%-4.6% \$4,460,000					
Various Improvements	4,010,000	0	(165,000)	3,845,000	175,000
2002 1.9%-5.55% \$7,300,000					
Various Improvements	0	7,300,000	0	7,300,000	100,000
<i>Total General Obligation Bonds</i>	<u>16,010,510</u>	<u>7,300,000</u>	<u>(950,206)</u>	<u>22,360,304</u>	<u>1,085,436</u>
Special Assessment Bonds					
1986 7.75% \$230,000					
Johnston Rockside Improvement	60,000	0	(12,000)	48,000	12,000
1994 4.05%-6.3% \$606,000					
Neo Parkway Improvement	465,000	0	(25,000)	440,000	25,000
1996 4.7%-6.625% \$810,000					
Various Purpose - Canal Warner	658,217	0	(28,617)	629,600	33,387
1996 4.7%-6.625% \$610,000					
Various Purpose - Sunset	436,273	0	(21,177)	415,096	21,177
<i>Total Special Assessment Bonds</i>	<u>1,619,490</u>	<u>0</u>	<u>(86,794)</u>	<u>1,532,696</u>	<u>91,564</u>
Other Governmental Activities					
Notes Payable	6,000,000	0	(6,000,000)	0	0
Compensated Absences Payable	3,727,893	453,718	(202,914)	3,978,697	95,954
Claims Payable	82,859	114,224	0	197,083	8,496
Police and Fire Pension Liability	712,359	0	(9,923)	702,436	10,349
Capital Leases Payable	0	333,565	0	333,565	166,249
<i>Total Other Governmental Activities</i>	<u>10,523,111</u>	<u>901,507</u>	<u>(6,212,837)</u>	<u>5,211,781</u>	<u>281,048</u>
<i>Total Governmental Activities</i>	<u>\$28,153,111</u>	<u>\$8,201,507</u>	<u>(\$7,249,837)</u>	<u>\$29,104,781</u>	<u>\$1,458,048</u>

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences, claims and capital leases will be paid from the general fund, recreation, street, construction, maintenance and repair, federal nutrition, municipal court probation special revenue funds, and storm and sanitary sewer and municipal court capital improvement capital projects funds 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 loan payable was paid from revenues received in the general and permanent improvement capital projects funds.

The \$6,000,000 service center note issued at 5.25 percent and outstanding at December 31, 2001, was bonded, on April 4, 2002, into a \$7,300,000 general obligation bond issued at 1.9 percent to 5 percent variable rate.

The City's overall legal debt margin was \$20,172,062 at December 31, 2002. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002 are as follows:

	General Obligation Bonds		Special Assessment Bonds		Police and Fire Pension		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2003	\$1,085,437	\$1,113,440	\$91,565	\$90,740	\$10,349	\$29,745	\$2,421,276
2004	1,121,201	1,067,262	100,800	85,762	10,794	29,300	2,415,119
2005	1,161,201	1,017,978	100,800	80,210	11,258	28,836	2,400,283
2006	1,306,431	964,696	105,569	74,454	11,741	28,353	2,491,244
2007	1,277,196	904,590	102,805	68,370	12,245	27,849	2,393,055
2008-2012	6,320,652	3,557,647	584,354	242,946	69,584	130,891	10,906,074
2013-2017	5,658,186	1,932,865	446,803	55,901	85,867	114,604	8,294,226
2018-2022	2,120,000	890,249	0	0	105,962	94,511	3,210,722
2023-2027	2,310,000	358,250	0	0	130,758	69,714	2,868,722
2028-2032	0	0	0	0	161,356	39,115	200,471
2032-2035	0	0	0	0	92,522	5,906	98,428
Totals	<u>\$22,360,304</u>	<u>\$11,806,977</u>	<u>\$1,532,696</u>	<u>\$698,383</u>	<u>\$702,436</u>	<u>\$598,824</u>	<u>\$37,699,620</u>

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 at the time of separation.

Overtime is paid for in the period in which it is 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.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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.

Note 11 - Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2002.

B. Litigation

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.

Note 12 - Note Debt

The City's note activity for the year ended December 31, 2002 is as follows:

	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
Special Revenue Fund				
Street Resurfacing				
4.86% Street Improvement	\$1,200,000	\$0	(\$1,200,000)	\$0
4.65% Street Improvement	900,000	0	(900,000)	0
1.97% Street Improvement	0	1,200,000	0	1,200,000
2.01% Street Improvement	0	900,000	0	900,000
	<u>2,100,000</u>	<u>2,100,000</u>	<u>(2,100,000)</u>	<u>2,100,000</u>
Total Special Revenue Fund				
Capital Projects Funds				
Various Improvement				
3.25% Various Improvement	2,500,000	0	(2,500,000)	0
2.01% Various Improvement	0	2,500,000	0	2,500,000
Park Facilities				
1.92% Park Facilities Improvement	0	700,000	0	700,000
	<u>2,500,000</u>	<u>3,200,000</u>	<u>(2,500,000)</u>	<u>3,200,000</u>
Total Capital Projects Funds				
	<u>2,500,000</u>	<u>3,200,000</u>	<u>(2,500,000)</u>	<u>3,200,000</u>
<i>Total Notes Payable</i>	<u>\$4,600,000</u>	<u>\$5,300,000</u>	<u>(\$4,600,000)</u>	<u>\$5,300,000</u>

In 2002, the City issued \$1,200,000 and \$900,000 in Street Improvement Notes to refinance the upkeep of City roads. These projects have been completed by December 31, 2001.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

In 2002, the City issued \$2,500,000 in Various Improvement Notes to refinance various projects such as the Fire Station 2 renovation, waterline construction, Broadway Road rehabilitation construction and street resurfacing. These projects have been completed by December 31, 2001.

In 2002, the City issued \$700,000 in Park Facilities Improvement Notes to finance the upkeep of City parks. This project has been completed by December 31, 2002.

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 13- Capital Leases

During 2002, the City entered into a new lease for fire truck. The City's lease obligation meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", and has been recorded on the government-wide statements. The equipment has been capitalized in the amount of \$333,565, the present value of the minimum lease payments at the inception of the lease. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments is as follows:

Year Ending December 31,	
2003	\$174,897
2004	169,514
Total minimum lease payments	344,411
Less: Amount representing interest	10,846
Present value of minimum lease payments	\$333,565

Capital lease payments have been reclassified and reflected as debt service in the fund financial statement for the general and street construction, maintenance and repair and federal nutrition special revenue funds.

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll, decreased from 9.25 percent in 2001. Contributions are authorized by State statute. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$522,808, \$536,246 and \$356,362, respectively. The full amount has been contributed for 2001 and 2000. 93.14

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

percent has been contributed for 2002, with the remainder being presented as “intergovernmental payable” in the governmental activities column of the statement of net assets.

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 the 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 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. 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 11.75 percent for police and 16.25 percent for firefighters. For 2001, the City contributions were 12 percent for police and 16.5 percent for firefighters. Contributions are authorized by State statute. The City’s contributions to the OP&F for police and firefighters were \$445,828 and 436,114 for the year ended December 31, 2002, \$431,550 and \$417,195 for the year ended December 31, 2001 and \$400,774 and \$400,634 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 92.63 percent and 94.49 percent, respectively, have been contributed for 2002, with the remainder being presented as “intergovernmental payable” in the governmental activities column of the statement of net assets.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2002, the unfunded liability of the City was \$702,436 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

Note 15 – Postemployment Benefits

A. Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS’s latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$305,736. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

B. Police and Firemen's Disability and 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 costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001 the percent used to fund healthcare was 7.5 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 2002 that were used to fund postemployment benefits were \$294,057 for police and \$207,993 for fire. The OP&F's total health care expense for the year ended December 31, 2001, (the latest information available) was \$122,289,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, (the latest information available) was 13,174 for police and 10,239 for firefighters.

Note 16 - 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 2002, the City contracted with a single company for various types of insurance as follows:

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Company	Type	Coverage
Clarendon Insurance Company	Property	\$28,350,571
	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
	Umbrella Liability	1,000,000 per occurrence

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 \$100,000 per employee and an aggregate of \$1,601,960 per year. 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 \$193,847 has been accrued in the general fund, recreation, federal nutrition, street maintenance and repair and municipal court probation services special revenue funds and storm and sewer and municipal court improvement services capital projects funds based on an estimate by the third party administrator. The liability reported at December 31, 2002 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, 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 2002. Claims of \$197,083 have been accrued as a liability at December 31, 2002 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 2001 and 2002 were:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$602,331	1,086,742	\$1,313,277	\$375,796
2002	375,796	1,171,935	1,156,801	390,930

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 17 – Interfund Transfers and Balances

A. Interfund Transfers

Transfer To	Transfer From				Totals
	General	Motor Vehicle License Tax	Bond Retirement	Storm and Sanitary Sewer	
Bond Retirement	\$0	\$184,000	\$0	\$216,000	\$400,000
Street Resurfacing	0	0	52,949	0	52,949
Service Center	0	0	72,088	0	72,088
Various Improvements	0	0	79,896	0	79,896
Other Governmental Funds:					
Police Pension	581,013	0	0	0	581,013
Fire Pension	507,181	0	0	0	507,181
Recreation	60,000	0	0	0	60,000
Street Construction					
Maintenance and Repair	80,000	0	0	0	80,000
Federal Nutrition	245,463	0	0	0	245,463
Law Block Grant	3,175	0	0	0	3,175
Totals	<u>\$1,476,832</u>	<u>\$184,000</u>	<u>\$204,933</u>	<u>\$216,000</u>	<u>\$2,081,765</u>

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

The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of fund making the transfer.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

B. Interfund Balances

Interfund Payable	Interfund Receivable				Totals
	Municipal Court Special Projects	Permanent Improvement	Park Facilities	Municipal Court Improvements	
General	\$0	\$0	\$216,721	\$0	\$216,721
Other Governmental Funds:					
Recreation	29,726	0	0	0	29,726
Street Construction					
Maintenance and Repair	0	0	0	139,116	139,116
Federal Nutrition	0	0	0	20,761	20,761
Community Development	0	16,165	0	0	16,165
Permanent Improvement	0	0	100,000	0	100,000
Totals	<u>\$29,726</u>	<u>\$16,165</u>	<u>\$316,721</u>	<u>\$159,877</u>	<u>\$522,489</u>

The park facilities capital projects fund interfund transfer to the permanent improvement fund capital projects fund was for the installation of ballpark diamonds. The remaining interfund transfers were the result of deficit cash balances at year end.

Note 18 - 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 over 100 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 2002. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 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.

City of Garfield Heights, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

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 2002, the City of Garfield Heights did not contribute to the First Suburbs Consortium. Financial information can be obtained by contacting First Suburbs Consortium of Northeast Ohio Council of Governments, 40 Severance Circle, Cleveland Heights, Ohio 44118.

Note 19 – Subsequent Event

The City has experienced a financial shortfall which has resulted in deficit spending in the General Fund and other less significant funds, at December 31, 2002. To alleviate the financial shortfall the City has developed a strategy to stabilize its cash shortfall in the aforementioned funds. This includes, but is not limited to, restructuring debt with the Ohio Municipal Bond Program, rebidding refuse collections, renegotiating health care package, and reducing capital equipment expenditures. Additionally, the City has not replaced several Service employee's who recently separated from the City. The City believes that with the continued growth in private development within the City along with the current increase in income tax collections compared with the prior year and the other cost cutting measures it will be able to adequately stabilize its financial situation and finance future operations.

**CITY OF GARFIELD HEIGHTS
 CUYAHOGA COUNTY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>(A) Disbursements</u>
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
<i>Passed Through Cuyahoga County Department of Development:</i>			
<i>Community Development Block Grants and Entitlement Grants:</i>			
Community Navigator Services	CE12006-02	14.218	7,000
Fire Pumper/Ladder Acquisition Project	CE12486-01	14.218	150,000
Exterior Maintenance Program-FY 02	CE13465-01	14.218	<u>24,824</u>
Total U.S. Department of Housing & Urban Development			<u>181,824</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Federal Assistance Programs:</i>			
Bullet Proof Vest Program	99002767	16.607	2,122
Law Enforcement Block Grants Program-FY 00	2000LBVX0382	16.592	3,536
Law Enforcement Block Grants Program-FY 02	2001LBBX1871	16.592	10,489
<i>Passed Through State of Ohio, Office of Criminal Justice Services:</i>			
Juvenile Accountability Incentive Block Grant -FY 02	2001-JB-MUN-0004	16.523	<u>7,189</u>
Total U.S. Department of Justice			<u>23,336</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Western Reserve Area Agency on Aging:</i>			
<i>Aging Cluster:</i>			
Title III, Part B-Grants for Supportive Services	N/A	93.044	1,793
Title III, Part C-1-Nutrition Program (B)	N/A	93.045	36,838
Title III, Part C-2-Nutrition Program (B)	N/A	93.045	<u>2,487</u>
			39,325
Total U.S. Department of Health and Human Services/Aging Cluster			<u>41,118</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Western Reserve Area Agency on Aging:</i>			
Nutrition Program for the Elderly (C)	N/A	10.570	<u>16,546</u>
<u>U.S. DEPARTMENT OF TREASURY</u>			
<i>Passed Through Bureau of Alcohol, Tobacco and Firearms:</i>			
GREAT Grant	ATC020068	21.053	<u>37,817</u>
Total			<u><u>\$300,641</u></u>

The accompanying notes to this schedule 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, 2002**

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 \$1.90 each or \$58,218 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 \$1.90 was determined by WRAAA. Included in the total cost of meals purchased were state and local funds for \$11,805. In addition to the \$58,218 the City received from the WRAAA partial reimbursement for catered meals \$11,251.

NOTE C - WESTERN RESERVE AREA AGENCY ON AGING

During fiscal year 2002, 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 2002, for the Nutrition Program for the Elderly, was \$16,546 or \$.54 a meal.

CFDA - Catalog of Federal Domestic Assistance.

N/A - Not applicable.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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, 2002, and have issued our report thereon dated June 6, 2003, wherein we noted the City experienced financial difficulties which resulted in deficit fund balances in the General Fund and less significant funds and restated the Service Center Capital Projects Fund balance. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001, 2002-002, 2002-003 and 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 6, 2003.

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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-005.

Internal Control Over Financial Reporting (Continued)

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also 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 June 6, 2003.

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 6, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS 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, 2002. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. 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, 2002.

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.

Internal Control Over Compliance (Continued)

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 June 6, 2003.

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.



Betty Montgomery
Auditor of State

June 6, 2003

CITY OF GARFIELD HEIGHTS
 CUYAHOGA COUNTY
 DECEMBER 31, 2002

SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 Section § .505

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

CITY OF GARFIELD HEIGHTS
 CUYAHOGA COUNTY
 DECEMBER 31, 2002

SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 Section § .505
 (Continued)

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

FINDING NUMBER **2002-001**

Ohio Rev. Code Section 5705.41 (B), prescribes that no subdivision shall make any expenditure of money unless it has been appropriated. The following City accounts had expenditures in excess of appropriations, for the months of March and November, contrary to the aforementioned section of the Revised Code:

<u>Fund/Program/Activity</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>March</u>			
<i>General Fund</i>			
<i>General Government</i>			
<i>Court</i>			
<i>Special Services</i>	\$30,000	\$42,774	\$12,774
<i>Special Revenue Funds</i>			
<i>Recreation Fund</i>			
<i>Skating</i>			
<i>Special Services</i>	6,000	10,488	4,488
<i>Capital Projects Funds</i>			
<i>Muni-Court Capital Improvement Fund</i>			
<i>Capital Outlay</i>			
<i>Equipment Capital Outlay</i>	40,000	52,114	12,114
<i>Various Improvement Note 2001 Fund</i>			
<i>Contractual Services</i>			
<i>Special Services</i>	591,492	667,610	76,118
<i>Internal Service Funds</i>			
<i>Revolving Fund</i>			
<i>Capital Outlay</i>			
<i>Garage Equipment</i>	0	3,556	3,556
<u>November</u>			
<i>General Fund</i>			
<i>Law Enforcement</i>			
<i>Training & Education</i>	15,000	23,781	8,781
<i>Office Supplies</i>	5,000	11,070	6,070
<i>Correctional Institution</i>			
<i>Special Services</i>	16,500	59,171	42,671

CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 Section § .505
(Continued)

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

FINDING NUMBER (Continued) 2002-001

<u>Fund/Program/Activity</u> <u>November (Continued)</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund (Continued)			
<i>Sewer Operating</i>			
Hospital & Life Insurance	6,500	11,861	5,361
<i>Court</i>			
Special Services	30,000	54,581	24,581
<i>Lands & Buildings</i>			
Special Services	150,000	176,540	26,540
Property Insurance	12,000	24,731	12,731
<i>Civil Service</i>			
Special Services	12,000	19,187	7,187
<i>Miscellaneous</i>			
Dues & Subscriptions	12,000	19,300	7,300
Special Services	140,000	202,246	62,246
Health & Welfare	74,000	94,194	20,194
Election Expense	0	13,837	13,837
Refunds & Reimbursement	2,000	8,582	6,582
Child Abuse Reimbursement	11,500	16,576	5,076
Special Revenue Funds			
Recreation Fund			
<i>Cranwood</i>			
Utilities	3,200	10,277	7,077
<i>Administration</i>			
Special Services	11,000	23,881	12,881
Utilities	100,000	148,646	48,646
Operating Supplies	45,000	57,887	12,887
<i>Swim Golf Tennis</i>			
Salaries & Wages	50,000	64,260	14,260
Operating Supplies	9,000	15,126	6,126
<i>Skating</i>			
Special Services	6,000	13,856	7,856
Operating Supplies	20,000	25,380	5,380
<i>Organized Sports</i>			
Salaries & Wages	14,500	20,291	5,791
Street Construction & Repair Fund			
<i>Traffic Control</i>			
Salaries & Wages	90,000	112,505	22,505
Special Services	43,000	56,475	13,475
<i>Street Construction</i>			
Operating Supplies	32,000	53,141	21,141

CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 Section §.505
(Continued)

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

FINDING NUMBER (Continued) 2002-001

<u>Fund/Program/Activity</u> <u>November (Continued)</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>Special Revenue Funds (Continued)</i>			
<i>City Income Tax Fund</i>			
<i>Debt Amortization</i>			
Trans Elec – GF	0	18,249	18,249
<i>Community Development Fund</i>			
<i>Contractual Services</i>			
Special Services	14,800	41,861	27,061
<i>Indigent Drivers Fund</i>			
<i>Contractual Services</i>			
Special Services	20,000	36,103	16,103
<i>Permanent Improvement Fund</i>			
<i>Contractual Services</i>			
Special Services	603,728	936,595	332,867
<i>Capital Outlay</i>			
Equipment Capital Outlay	630,000	707,728	77,728
<i>Capital Projects Funds</i>			
<i>Muni-Court Capital Improvement Fund</i>			
<i>Capital Outlay</i>			
Equipment Capital Outlay	40,000	104,530	64,350
<i>Various Improvement Note 2001 Fund</i>			
<i>Contractual Services</i>			
Special Services	591,492	746,588	155,096
<i>Internal Service Funds</i>			
<i>Revolving Fund</i>			
<i>Personal Services</i>			
Salaries & Wages	170,000	220,200	50,200
<i>Contractual Services</i>			
Utilities	40,000	65,511	25,511
<i>Commodities</i>			
Diesel Fuel	20,000	24,322	4,322

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2002**

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

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER (Continued)	2002-001
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The percentage of excess of these budgetary violations ranges from 11% to 18,249%. 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).

In order to eliminate these budgetary violations, the City should compare appropriations to expenditures 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.

FINDING NUMBER	2002-002
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Ohio Rev. Code Section 5705.41 (B) and (D), prescribes that no subdivision shall make any expenditure of money unless it has been appropriated. At year end, the Indigent Driver's Special Revenue Fund had expenditures plus encumbrances in excess of appropriations in the amount of \$15,502, a 28% difference, contrary to the aforementioned section of the Code.

FINDING NUMBER	2002-003
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Ohio Rev. Code Section 5705.10, requires money paid into a fund shall be used for only the purposes for which such fund is established. The following funds had a deficit fund balance as of December 31, 2002, which indicates that money from other funds was used to pay expenditures for these funds, contrary to above noted Revised Code Section:

<i>General Fund</i>	\$216,721
<i>Special Revenue Funds</i>	
Recreation	\$ 29,726
Street Maintenance and Repair	139,116
Federal Nutrition	20,761
Community Development	16,165

Additionally, throughout the year the City had funds with negative cash balances that ranged from \$11,025 to \$1,005,812.

We recommend the City review the activities of these funds periodically to ensure that adequate fund balances are maintained.

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2002**

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

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

FINDING NUMBER **2002-004**

Ohio Rev. Code Section 5705.39, requires that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total Certificate of Estimated Resources or the Amended Certificate of Estimated Resources.

The following funds had original appropriations in excess of original estimated resources plus available balances by the amount presented below. These weaknesses were corrected by year end.

<u>Fund</u>	<u>Original Estimated Resource</u>	<u>Available Balance</u>	<u>Original Appropriations</u>	<u>Variance</u>
General Fund	\$18,696,267	\$58,175	\$19,061,782	\$307,340
Special Revenue Funds				
Street Construction, Maintenance & Repair	1,569,764	(8,666)	1,660,238	99,140
Community Development	150,000	(59,111)	164,800	73,911
Federal Nutrition	343,077	(2,560)	372,671	32,154
Municipal Court Special Service	76,000	110,133	210,000	23,867
Recreation	1,055,490	(2,208)	1,081,115	27,833
Capital Projects Funds				
Service Center	6,300,000	(694,864)	6,382,835	777,699
Municipal Court Improvement	186,000	310,216	500,772	4,556
Permanent Improvement	594,300	954	1,238,229	642,975
Debt Service Fund				
Bond Retirement	2,215,002	112,663	2,738,581	410,916

CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 Section §.505
(Continued)

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

FINDING NUMBER

2002-005

Recording of Encumbrances

Although outstanding encumbrances are reported on the City's Financial Statements, at year end, management does not record encumbrances during the year. The recording of encumbrances serves as a spending control and a measurement tool.

We recommend all purchase commitments be properly and timely encumbered.

3. FINDING FOR FEDERAL AWARDS

None.

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2002**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 Section § .315b**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-001	Ohio Revised Code Section 5705.41(B) & (D)	No	Not Corrected - Reissued

**CITY OF GARFIELD HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2002**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 Section § .315c**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	City to compare appropriations to expenditures on a monthly basis.	December 31, 2003	Richard W. Obert Finance Director
2002-002	City to compare appropriations to expenditures plus encumbrances on a monthly basis.	December 31, 2003	Richard W. Obert Finance Director
2002-003	City to review the activities of these funds periodically to ensure that adequate fund balances are maintained.	December 31, 2003	Richard W. Obert Finance Director
2002-004	City to compare original appropriations in to original estimated resources plus available balances.	December 31, 2003	Richard W. Obert Finance Director
2002-005	City to ensure that all purchase commitments are properly and timely encumbered.	December 31, 2003	Richard W. Obert Finance Director



**Auditor of State
Betty Montgomery**

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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
JULY 24, 2003**