

City of Bedford Heights, Ohio

Comprehensive Annual Financial Report

December 31, 2003



**Auditor of State
Betty Montgomery**

City Council
City of Bedford Heights
5661 Perkins Rd.
Bedford Heights, OH 44146

We have reviewed the Independent Auditor's Report of the City of Bedford Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 28, 2004

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City of Bedford Heights, Ohio

Comprehensive Annual Financial Report For The Year Ended December 31, 2003

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The City of Bedford Heights



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MAYOR DEBORA A. MALLIN

MARK A. CEGELKA
DIRECTOR OF FINANCE/TAX ADMINISTRATOR

June 28, 2004

Honorable Citizens of Bedford Heights
and Members of City Council
Bedford Heights, Ohio

We are pleased to submit the Comprehensive Annual Financial Report of the City of Bedford Heights (the "City") for the fiscal year ended December 31, 2003. We believe this report, prepared by the Department of Finance, presents comprehensive financial and operating information about the City's activities during 2003 that should be useful to citizens and taxpayers. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented is accurate in all material respects; that it is presented in a manner designed to set forth fairly the financial position and the results of operations of the City; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The financial section begins with the Independent Auditors' Report and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.

City Organization

The City of Bedford Heights, Ohio is located in the eastern portion of Cuyahoga County, approximately 14 miles southeast of downtown Cleveland. According to the most recent data from the United States Census Bureau, the City's 2003 population was 11,375.

Bedford Heights is a home rule municipal corporation operating under the laws of the State of Ohio. Bedford Heights was incorporated as a Village in 1951, and became a City in 1960. The City Charter was adopted and became effective on January 1, 1960, and can be amended only by a majority vote. In matters where the charter is silent or in conflict with the state constitution, the laws of the State of Ohio prevail.

Bedford Heights operates under and is governed by the laws of the State of Ohio and the City Charter, which provides for a mayor-council form of government. Legislative authority is vested in a seven-member council. The Council consists of three council members elected at large and four council members elected from wards. Council members are elected for a four-year term. Each member of Council has a right to vote. The Council fixes compensation of the City officials and employees, and enacts ordinances and resolutions relating to City services, tax levies, appropriations and indebtedness, licensing of regulated businesses and trades, and other municipal purposes.

The Mayor, designated by the charter as the chief executive and administrative officer of the City, is elected to serve a four-year term. The Mayor has the power to appoint, promote, discipline, transfer, reduce or remove any employee of the City. The Mayor may veto any legislation passed by Council. A veto may be overridden by a vote of five or more members of council.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, which became effective in 1993, established the criteria used for defining the financial reporting entity of a governmental unit. These principals provide that the reporting entity is comprised of the primary government, organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the financial statements to be misleading or incomplete. The City has included in this report all funds, departments, boards and commissions for which the City is financially accountable. The Northern Ohio Risk Management Association is a governmental joint venture, which is more fully described in Note 13. The Bedford City School District and the Orange City School District have not met the criteria for inclusion in the reporting entity.

Economic Conditions and Outlook

The City of Bedford Heights is a mature suburban community located approximately fourteen miles southeast of the City of Cleveland. The City is a second ring suburban community that experienced a build-out between the 1870 and 1990 period. This boom period was driven mainly as a result of the community's excellent location along the I-271, I-490, and U.S. 422 corridors. Bedford Heights has immediate freeway access to all of these interstates and the commercial and industrial development that happened during the twenty year period has left the City with the fifth largest industrial/commercial property valuation in the suburban Cuyahoga County.

As a result of the twenty-year development, several important industrial clusters have developed within the City's industrial area along Miles, Richmond, Fargo and Aurora Roads. These clusters include automobile parts manufacturing (including die casting), machine parts and fasteners, steel fabricating/distribution, paint manufacturing, commercial and residential construction supplies/services, food manufacturing, and wholesale food distribution operations.

In 2003, the City's economic conditions have generally improved as the national and regional economies have started to rebound from the economic downturn. Sales for the steel distribution cluster consisting of Olympic Steel, Majestic Steel USA, and EMJ Steel have increased to higher levels comparable to fiscal year 2002. Demand in the automotive parts cluster was mixed for 2003 as some plants indefinitely delayed planned expansions. The City did benefit from Sherwin Williams closing down a production facility in Indiana and moving the equipment and production to the Bedford Heights facility. This stabilized the existing local employment and will add new jobs in 2004.

In 2003 the food manufacturing and distribution cluster also presented both positive and negative news. The Giant Eagle Distribution Center completed its remodeling work and added approximately 100 new employees increasing their payroll by eighteen percent. Sales at New York Frozen Foods were also up slightly and they added a few new employees during FY 2003. The Cleveland Coke-a-Cola Bottling Company added a new bottling line to their facility although employment was slightly down during the period. As previously reported, the SYSCO Food Services of Cleveland Facility on Aurora Road will be closing sometime between May and July 2004. The Company announced its plans to leave in FY 2003 and relocate to a site in the City of Cleveland. This was a direct result of the lack of a single fifty-five acre vacant site in the City of Bedford Heights.

In 2001 the City was successful in attracting McCarthy Burgess & Wolff a business to business collection company. At the time they opened they had eight employees and by the end of 2003 their growth had increased their total employment to approximately 110 and they are planning for another facility expansion within the City. The Company helps expand the City's employment base from the traditional manufacturing jobs to upper tier service based employment.

The City of Bedford Heights did have success in saving its fourth largest taxpayer, Metaldyne, this year. In October, Metaldyne issued a WARN Notice announcing closure of its Cannon Road Die Casting Facility. Although profitable, the facility did not meet with the corporation's future goals. The City aggressively sought out a buyer and facilitated gap financing capital through the State of Ohio and Cuyahoga County. The plant was purchased by a buyer and employment at the facility was stabilized at 168 employees. The new owners expect to bring employment levels up to 250 employees within three years.

Overall, the City's withholding tax payments are dominated by the larger manufacturing operations identified above. These tax payments remained stagnant for FY 2003 calendar year with approximately a three percent reduction over FY 2002.

The City's only hotel, the Red Roof Inn (a 168 room full service hotel located off I-271 and Rockside Road) continues to struggle. The local lodging industry (in Greater Cleveland) still suffers from low occupancy rates currently estimated to be around 54-55 percent. The decreased demand for rooms at the Red Roof was also a result of reduced attendance at the Six Flags Amusement Park in Aurora. Further, 200 new hotel rooms being added at the Chagrin Highlands in Aurora will come on line in FY 2004 and are expected to further effect occupancy at the Red Roof Inn. Because of these factors, the facility's previous owners defaulted on their financing and the hotel is now under foreclosure proceedings. During the interim period, the receiver has hired a hotel management company and they have made many improvements to the property. The property foreclosure process is expected to be completed by May 2004 and the hotel will be put on the market for sale.

The vacancy rate for available industrial buildings in the Cleveland East Industrial Market area has increased at a decreasing rate since the 3rd quarter 2003 to just over nine and one-half percent. Although the total office space in Bedford Heights is relatively small, vacancy rates are near the Greater Cleveland average. The City assisted an owner of a 24,000 sq. ft. office building located at 5333 Northfield Road in saving the structure and investing over \$1.2MM for renovations and remodeling of the entire structure. The project was facilitated by using Community Reinvestment Area Tax Incentives to help offset the renovation costs. Another office building on Northfield Road adjacent to the 5333 building currently has an occupancy rate of greater than ninety percent.

The City's leaders continue to use the City's Master Plan as a guide for redeveloping two important areas of the City. The first was formerly known as the "City Center Area" but is now call the "Gateway Triangle". This areas consists of the triangle formed by Rockside and Aurora Roads. Unfortunately, the area was let to run down by property owners up until 2001. At that time the Owners of Trinity Towers Apartment complex completed a large scale remodeling project of the 499 unit complex. Since that time the City has secured over \$300,000 in grant funds to build streetscape improvements along both thoroughfares. Further, aggressive city code enforcement caused Carrols Corporation to make a major re-investment in their Burger King restaurant. Also, Marathon Oil razed their Speedway Gas Station and constructed a new gasoline station convenience store combination. The store's brick walls were designed to match the new streetscape design and blend into the commercial area.

In fiscal year 2004, the City will add streetscape improvements along Aurora Road to the I-271 overpass. The work will stimulate approximately \$10,000 in private investment on the frontage of a major mobile home park. Two vacant non-conforming buildings will also be razed on Aurora Road with hopes of stimulating a new commercial use.

Another focus identified in the City's Master Plan is development of vacant commercial property at the southern portion of the City. This property was rezoned to a light industrial classification in FY 2001. The City is currently pursuing a new small industrial park on an eighteen acre parcel off of Solon Road. Approximately three potential companies have been located and have interest in building on site.

Although not identified in the Master Plan, the City is also working with the owner of a vacant thirty-five acre parcel along Miles Road. The City's Department of Economic & Community Development is working with the property owners and is optimistic that it can pursue alternate sources of funding to help develop the site for new commercial/industrial users.

Lastly, the State Issue Two project to reconstruct Northfield Road (a partnership between the Cities of Maple Heights and Bedford Heights) will finally start in April 2004. Completion is expected in early 2005. Some of the Bedford Heights retail vacancies along this corridor have been attributed to last years' waterline replacement and the upcoming roadway construction. However the new reality of "Big Box" retail and other changes in retailing may make it difficult for small retailers to compete along Northfield Road in the future.

Major Initiatives

Current year – In 2003, the City had applied for and has received notice of numerous law enforcement grants for the police and corrections departments. A complete listing of the grants received for the police and fire and corrections departments can be obtained from the annual reports compiled by the Police and Fire Chiefs.

The City continues to implement revenue-generating fees to offset increased operating costs. In 1994, the City implemented a fee for ambulance service. This fee is projected to generate approximately \$80,000 annually and is designated for use within a Special Revenue Fund, specifically for capital improvements (equipment) in the Police and Fire Departments.

The City has implemented a rate structure that has increased residential and commercial sewer rates by \$1.00/MCF. The new rate structure is expected to generate the following estimated increases over three years: 2003 – \$125,000; 2004 – \$130,000; 2005 – \$135,000. Additionally, the City has agreements with neighboring communities to promote the utilization of the City sewage treatment facility for new developments and growth areas that are contiguous with the City. This plan would, of course, provide a larger customer base for the City's sewerage treatment facility. Finally, the City has become active in the treatment of nonhazardous ground water on a contract basis.

Future years – The City plans on spending over \$600,000 in 2003 on road resurfacing and construction projects that are planned for various streets throughout the City.

In November 1994, the City passed a 2-mill, 10-year Street Improvement Levy. This levy will generate approximately \$600,000 annually over the remaining one years. The proceeds of the levy are dedicated to street improvements. This new funding will allow the City to re-allocate existing capital project funds traditionally used for street improvements to other purposes.

The City's Charter allows for millage to be set at 13 mills per tax collection year. For the 2001 and 2002 tax collection years, the millage was levied at 12 mills. In the 2003/2004 tax collection year, the City levied the additional 1.0 mills of authorized millage. This millage will generate an additional \$300,000 in fiscal 2003 and 2004 for current operating expenses based upon the assessed valuation for the 2003 and 2004 tax collection year. The \$600,000 that will be generated will be put into the Contingency Fund the City established for the 2005 budget.

Financial Information

Internal Accounting and Reporting Control

In developing the City's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of the financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived.

Budgetary Control

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The Mayor, with the assistance of the Finance Director, is required to submit to Council a tax budget of estimated revenues and expenditures for all funds, except agency funds, of the City for the next succeeding fiscal year by the first council meeting in July (unless an extension is approved). The City applies for an extension and usually passes the tax budget in September. The budget is required to be adopted by the legislative body by July 15 and to be submitted to the County Budget Commission by July 30 of each year. The Finance Director, based on the tax budget, submits to Council an appropriation ordinance for the next succeeding fiscal year. Council is required to adopt the appropriation ordinance (the budget) in its original form, or with those revisions as it may find proper, within ninety days of the beginning of the fiscal year covered by such ordinances.

The City maintains budgetary control on a non-GAAP basis by fund and within each fund by department at major object levels, which include personal services, travel and education, contractual services, supplies and materials, other expenditures, capital outlay, debt service, and operating transfers. For management purposes, the major object level is further defined with budgeted amounts not to exceed the aggregate appropriated by Council.

Budgetary control is maintained by an encumbrance of purchase commitment amounts prior to the release of purchase orders to vendors. Requisitions for the expenditure of monies are submitted to the Finance Director for approval and for the preparation of a purchase order and certification. The purchase order is reviewed for certification of the availability of funds, and the estimated expenditure is encumbered against the available appropriation. Encumbrances, which would exceed the available appropriations, are not approved or recorded until the City Council authorizes additional appropriations. Unencumbered appropriations lapse at the end of each year. The accounting system used by the City provides interim financial reports which detail year-to-date expenditures plus encumbrances versus the original appropriations plus any additional appropriations made to date. The reports permit the Finance Director and other City officials to ascertain the status of a department's appropriations at any time during the year.

During the year, the accounting records are maintained on a cash basis for all fund types. To prepare this report, adjusting entries are prepared for the various funds to convert the cash basis records to modified accrual for all governmental and fiduciary fund types and accrual for the proprietary fund types. The modified accrual basis of accounting requires that revenues be recognized when both measurable and available. Expenditures are recorded as liabilities when incurred, except for principal and interest on general and special assessment long-term debt which are recognized when due. A more detailed explanation of the basis of accounting for the various funds is included in the Notes to the Financial Statements located in the Financial Section of this report.

Financial Condition

This is the first year that the City of Bedford Heights has prepared financial statements in accordance with GASB Statement 34, "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments" GASB 34 creates new basic financial statements for reporting on the City's financial activities as follows;

Government-wide financial statements These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Fund financial statements Those statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statements of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this reporting model, management is responsible for preparing a Management Discussion and Analysis of the City. This discussion follows the Independent Auditor's Report, providing an assessment of the City finances for 2003.

Cash Management

Cash management is a vital component of the City's overall financial strategy. The Finance Director maintains an aggressive cash management program. Major considerations include cash flows necessary to pay City liabilities and available interest rates. As City funds become available, they are invested immediately in short-term certificates of deposit or other securities authorized by state statutes and an Investment Policy. Interest earnings are allocated to the Capital Improvement Fund based on the requirements of the Ohio Constitution and state statutes. Investment earnings for 2003 totaled \$45,097 in the governmental funds. All investments are covered by pooled collateral with a face value equal to at least the market value of deposits.

Risk Management

In October 1987, the City entered into a self-insurance pool with nine other cities to formalize a risk management program for general liability, property, and vehicle insurance. As part of the comprehensive plan, resources are being accumulated in the Northern Ohio Risk Management Agency (NORMA) to meet potential losses. In addition, various risk control techniques have been implemented to minimize potential losses. The goal of the pool is to minimize loss potential in all areas of the City's operations, while delivering services in the most efficient manner possible.

Use of Report

This report is published to provide the City Council, the Mayor, the Citizens of Bedford and other interested persons, detailed information concerning the financial condition of the City, with the particular emphasis placed on the utilization of resources during 2003. Further, this report will serve as a guide to formulating policies and conducting the City's day-to-day activities. The information is presented in a manner designed to fairly set forth the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding to the City's financial affairs have been included.

In today's public awareness environment it is increasingly important that the public agencies prepare soundly conceived annual financial reports independently audited by a qualified firm or agency. It has become essential that such reports be prepared in accordance with accounting principals generally accepted in the United States of America (U.S. GAAP). Bond rating agencies review the data presented before determining a public agency's bond rating.

Other Information

Independent Audit

In accordance with Ohio law annual independent audits are required to be performed on all financial operations of the City. These audits are conducted by either the Auditor of the State of Ohio or, if the Auditor permits, an independent public accounting firm. The Bedford Heights City Council selected the firm of Ciuni & Panichi, Inc. to perform these services for 2003. Their report is presented in the financial section.

Awards

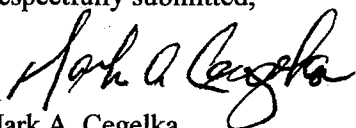
For the fourteenth time, the Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Successful preparation of a report of this scope depends upon the dedicated contribution of many employees. The sincere appreciation of those primarily responsible for its completion is extended to all contributors, but especially to those employees in the Department of Finance, and the employees of the accounting firm of Ciuni & Panichi, Inc., which contributed significantly to the preparation of this report. Sincere appreciation to Allison Chance, Assistant Director of Finance and the firm of Ciuni & Panichi, Inc. who worked diligently in completion of the audit. Finally, the City Administration wants to extend its appreciation to the Mayor and City Council for their support and commitment to responsible fiscal reporting.

Respectfully submitted,



Mark A. Cegelka
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bedford Heights,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

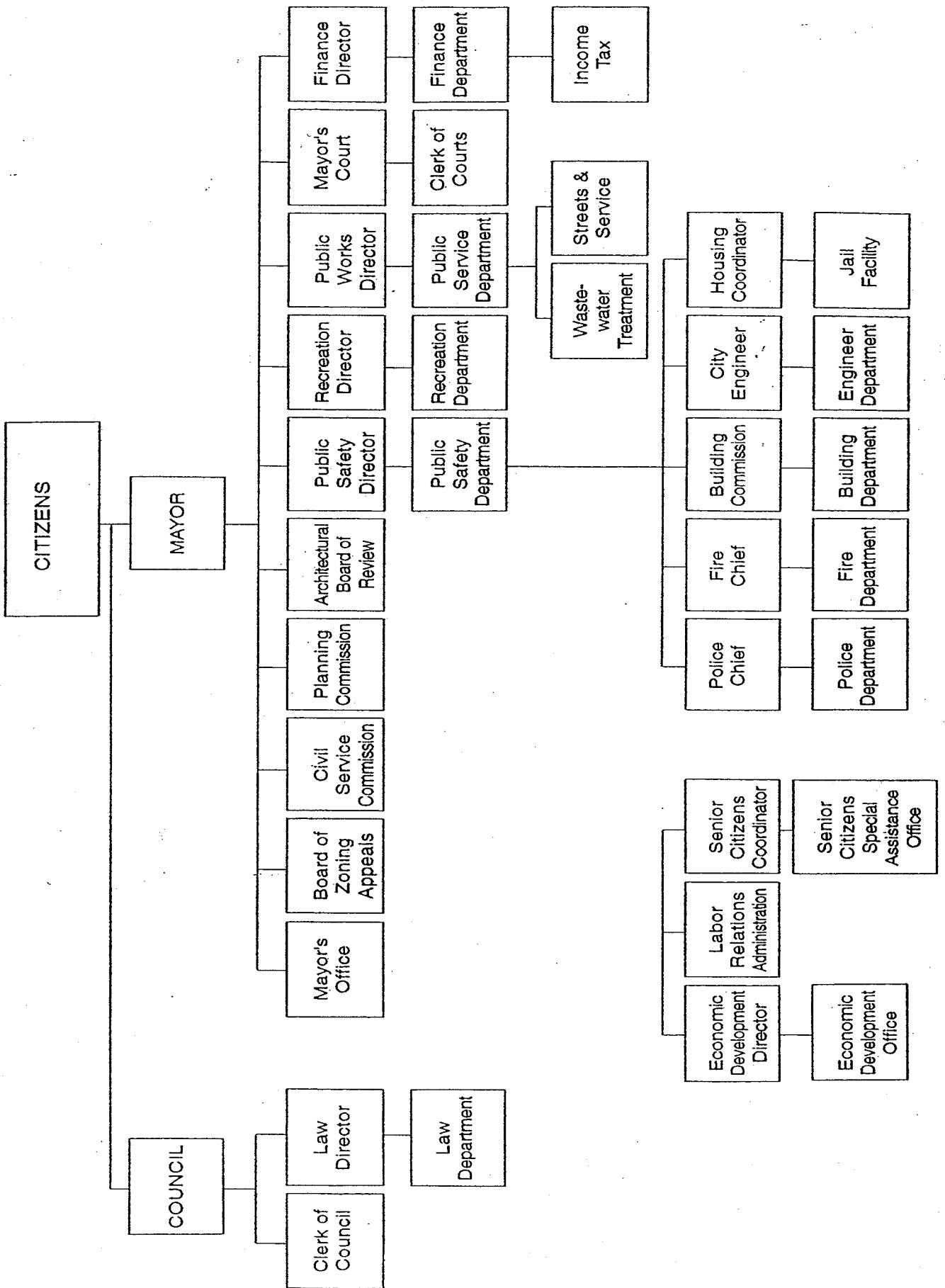
Executive Director

City of Bedford Heights, Ohio

List of Principal Officials

December 31, 2003

<u>TITLE</u>	<u>NAME</u>
Mayor/Director of Public Safety	Debora Mallin
Council Member – President-At-Large	Phillip D. Saunders
Council Member – At-Large	Fletcher Berger
Council Member – At-Large	Wendolyn Grant
Council Member – Ward 1	Barbara MacKenzie
Council Member – Ward 2	Harvey Brown
Council Member – Ward 3	Pat Santangelo
Council Member – Ward 4	James R. Cody
Clerk of Council	Patricia Stahl
Director of Law	Charles E. Merchant
Director of Finance/Tax Administrator	Mark A. Cegelka
Director of Public Service	Nick Banko
Director of Water Reclamation	Dave Pocaro
Police Chief	Timothy Kalavsky
Corrections Administrator	Cmdr. William Schultz
Fire Chief	Ken Ledford
Director of Community Life	Vacant
City Engineer	Joseph Ciuni
City Architect	Norman Casini
Building Commissioner	John R. Marrelli, Jr.
Director of Economic Development and Community	Eric Bowles
Clerk of Courts	Nancy Catalano



Independent Auditor's Report

Members of City Council
Bedford Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bedford Heights, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Bedford Heights' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bedford Heights, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Fire Levy Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the financial statements, the City of Bedford Heights has implemented a new reporting model, as required by the provisions of GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2004 on our consideration of the City of Bedford Heights' internal control over financial reporting and on 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.

Members of the City Council
Bedford Heights, Ohio

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not be subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cinni & Paricchi, Inc.

Cleveland, Ohio
June 28, 2004

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

The discussion and analysis of the City of Bedford Heights' financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2003 are as follows:

- ◆ The assets of the City of Bedford Heights exceeded its liabilities at the close of the most recent fiscal year by \$31,606,713. Of this amount, \$3.05 million may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$152,748, which represents an increase of approximately .32 percent over 2002. The biggest changes were an increase in cash of \$1,062,568 and a decrease of capital assets of \$844,268.
- ◆ Total liabilities increased by \$975,299, which represents an increase of 6.5 percent over 2002. The main factors contributing to this increase was an increase of \$1,768,834 in current liabilities specifically a increase in notes payable of \$1,650,000.
- ◆ In total, net assets in governmental activities decreased by \$452,176 during 2003. This represents a 2.31 percent decrease from 2002.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of Bedford Heights' basic financial statements. The City of Bedford Heights' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – Reporting the City of Bedford Heights as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City of Bedford Heights' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Bedford Heights is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer system is reported here.

Fund Financial Statements - Reporting the City of Bedford Heights' Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City of Bedford Heights, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Bedford Heights can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City of Bedford Heights maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General fund, Fire Levy Special Revenue fund, and the Capital Improvements Capital Projects fund, all of which are considered to be major funds.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
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Proprietary Funds

The City of Bedford Heights maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 29 of this report.

Government-wide Financial Analysis - City of Bedford Heights as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a Whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

Table 1 provides a summary of the City's net assets for 2003 as compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$11,659,792	\$10,633,484	\$ 979,820	\$ 1,009,112	\$ 12,639,612	\$ 11,642,596
Capital Assets, Net	21,699,877	21,964,531	13,166,288	13,745,902	34,866,165	35,710,433
Total Assets	33,359,669	32,598,015	14,146,108	14,755,014	47,505,777	47,353,029
Liabilities						
Current Liabilities and Other Liabilities	8,183,379	6,607,753	340,329	147,121	8,523,708	6,754,874
Long-term Liabilities						
Due Within One Year	596,246	572,364	223,709	199,626	819,955	771,990
Due In More Than One Year	5,445,618	5,831,296	1,109,783	1,565,605	6,555,401	7,396,901
Total Liabilities	14,225,243	13,011,413	1,673,821	1,912,352	15,899,064	14,923,765
Net Assets						
Invested in Capital Assets, Net of Related Debt	16,545,228	16,326,619	11,875,046	12,225,033	28,420,274	28,551,652
Restricted for:						
Debt Service	132,195	59,115	-	-	132,195	59,115
Unrestricted	2,457,003	3,200,868	597,241	617,629	3,054,244	3,818,497
Total Net Assets	\$19,134,426	\$19,586,602	\$ 12,472,287	\$12,842,662	\$31,606,713	\$ 32,429,264

Total assets remained at about \$47 million. Even though the cash and cash equivalents increased by \$1,062,568, a decrease in capital assets of \$844,268 offset this increase primarily due to the change in capital asset threshold.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
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The total net assets of the City decreased by \$822,551. The following factors were responsible for this decrease:

- Cash and cash equivalents showed an increase of \$1,062,568 over 2002.
- A reduction in bonds payable of \$513,000.
- An increase in notes payable of \$1,650,000.
- A decrease of \$844,268 in the capital assets.

The City has tried to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. Due to the interest rates in the past year, the investments have shifted from short term CD's and government notes and bills to longer-term federal government agency issues. However, even though the State code allows for investments with maturities of five years or less, the City has not invested in any instrument with a maturity of more than two years.

Another tool used by the City to reduce its long-term liability is to pay off accumulated sick leave for police and fire employees. Upon the request of a police or fire employee with over ten years of service, accumulated sick time may be paid out on an annual basis. This allows the City to pay accumulated sick hours at the current hourly rate as opposed to paying for it at a higher rate in the future at the time of retirement. The employees benefit by having funds available to them currently with the opportunity to invest them and potentially gain a higher rate of return as opposed to a future date.

The City of Bedford Heights is also part of N.O.R.M.A. Self Insurance Pool, Inc. for liability insurance and workers compensation. Significant savings in premiums have resulted from being a member of the above referenced insurance pool. In addition the City conducts random drug testing of employees with CDL licenses which aids in reducing workers compensation premiums.

The net assets of our business-type activities decreased by 2.88 percent in 2003. The City generally can only use these net assets to finance the continuing operations of the sewer system.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. However, since this is the first year the City has prepared financial statements following GASB 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

Table 2
 Changes in Net Assets

	Governmental	Business-Type	Total
	Activities	Activities	
	2003	2003	
Program Revenues			
Charges for Services	\$3,187,302	\$2,495,081	\$5,682,383
Operating Grants and Contributions	193,253	-	193,253
Capital Grants and Contributions	279,215	-	279,215
<i>Total Program Revenues</i>	<u>3,659,770</u>	<u>2,495,081</u>	<u>6,154,851</u>
General Revenues			
Property Taxes	4,048,224	-	4,048,224
Income Taxes	8,088,759	-	8,088,759
Grants and Entitlements	1,459,130	-	1,459,130
Investment Earnings	45,097	-	45,097
Miscellaneous	144,217	10,739	154,956
<i>Total Revenues</i>	<u>17,445,197</u>	<u>2,505,820</u>	<u>19,951,017</u>
Program Expenses			
General Government	3,706,046		3,706,046
Security of Persons and Property	9,011,478		9,011,478
Public Health Services	351,341		351,341
Leisure Time Activities	1,427,498		1,427,498
Community Development	675,173		675,173
Basic Utility Services	467,832		467,832
Transportation	1,935,912		1,935,912
Interest and Fiscal Charges	322,093		322,093
Sewer Transfers	-	2,876,195	2,876,195
<i>Total Program Expenses</i>	<u>17,897,373</u>	<u>2,876,195</u>	<u>20,773,568</u>
<i>Change in Net Assets</i>	<u>(\$452,176)</u>	<u>(\$370,375)</u>	<u>(\$822,551)</u>

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

Governmental Activities

Several revenue sources fund our governmental activities with the City's property and income tax being the largest contributors. The City's income tax revenue source is the largest contributor with a rate of two percent on gross income which has not changed since 1982. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax for 100 percent, the credit limit being 2 percent. During 2003, the revenues generated from this tax amounted to \$8,088,759. The City continues to enforce a delinquent letter program and the subpoena program to ensure compliance with the local tax laws. As expected, investment earnings continued to drop as the Federal Reserve maintained its thrust on rate cuts.

Security of Persons and Property and General Government are the major activities of the City generating 71 percent of the governmental expenses. Currently, there are 33 full-time sworn officers in the police department. During 2003, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology.

The fire department consists of 28 full-time fire fighters. All but four of these fire fighters is fully trained paramedics. Again, training plays a crucial role in the day-to-day operation of the fire department. Techniques such as live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the firefighters updated to perform their jobs most efficiently. The department handled 1,640 calls for assistance of which approximately 1,100 were for EMS and the rest for fire and fire related incidents. The total amount spent on overtime expenses during 2003 was \$151,707 as compared to \$131,615 during 2002. The total cost of operating the Fire and EMS department during 2003 was \$2,927,968 within the Fire Levy Fund. The City annually transfers into the Fire Levy Fund the difference between the revenue generated from the 3 mill fire levy and the operating expenses incurred. In 2003, the transfer from the General Fund was \$1,340,000.

The City also has an annual road program entailing major and minor resurfacing of the various streets in Bedford Heights. The reconstruction of various streets totaling was \$550,000 was completed during 2003. The annual road program is funded from the 2 mill Street Construction Levy.

Business-Type Activities

The Business-Type activities of the City, which include the City's sewer operations, decreased the City's net assets by \$370,375.

Net program expense exceeded program revenue in the amount of \$381,114 for the sewer operations for 2003. This is due to decreased contributions required to cover the City's share of operating expenses of the Sewer Treatment Fund.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 6. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$20,714,164 and expenditures and other financing uses of \$21,128,167. The net change in fund balance for the year was most significant in the Capital Improvements Capital Projects Fund showing a decrease in fund balance of \$598,540 due to the fact the fund receives property tax money to be used to improve the City. The General Fund reflected an increase of \$349,850 which increased the fund balance to \$3,735,451. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public; the budget is adopted by City council. Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the General Fund, final budget basis revenue was higher than the original budget estimates of \$13,424,817. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The original appropriations of \$11,686,378 was sufficient to meet the expenditures for the year, which ended up at \$11,508,628 or \$159,907 less than anticipated due to conservative spending.

The City's ending unobligated budgetary fund balance was \$10,594 higher than the final budgeted amount.

Business-Type Funds

The City's major Enterprise funds consist of the Sewer Treatment Fund. The basic financial statements for the major funds are included in this report.

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Sewer Treatment Fund. The basic proprietary fund financial statements can be found on page 25 through 27 of this report.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the City of Bedford Heights had \$34,866,165 invested in land, buildings, equipment, vehicles and infrastructure.

Table 3 shows fiscal 2003 balances of Capital Assets as compared to 2002:

Table 3
 Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Totals	
	2003	2002	2003	2002	2003	2002
Land and Land Improvements	\$ 1,628,359	\$ 1,628,359	\$ 99,800	\$ 99,800	\$ 1,728,159	\$ 1,728,159
Buildings and Improvements	15,371,901	15,371,901	9,173,034	9,153,255	24,544,935	24,525,156
Furniture and Equipment	2,885,965	2,729,448	7,841,995	7,836,782	10,727,960	10,566,230
Vehicles	3,298,321	3,418,371	184,227	184,227	3,482,548	3,602,598
Infrastructure	13,433,816	12,813,984	5,854,761	5,854,761	19,288,577	18,668,745
Construction in Progress	798,333	-	-	-	798,333	-
Less: Accumulated Depreciation	(15,716,818)	(13,997,532)	(9,987,529)	(9,382,923)	(25,704,347)	(23,380,455)
Total Capital Assets	<u>\$ 21,699,877</u>	<u>\$ 21,964,531</u>	<u>\$ 13,166,288</u>	<u>\$ 13,745,902</u>	<u>\$ 34,866,165</u>	<u>\$ 35,710,433</u>

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame. Police cars are replaced every 12 months. The older vehicles are either traded in to the dealers or sold to the highest bidder at auction.

With regards to the infrastructure, the City's engineering, public works and water reclamation departments maintain a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or cracksealed and in the case of concrete roads, either replaced or repaired. After approval from council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the Street Construction Levy Fund and Capital Improvements Fund of the City. Capital assets for business-type activities decreased by \$579,614 due to the City's change in capitalization threshold (from \$1,000 to \$5,000), reduction in asset purchases and an increase in accumulated depreciation.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
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The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. We have a five-year capital plan in place that provides for street, sanitary and storm improvements and maintaining our current structures. For additional information on Capital Assets, see Note 6 of the basic financial statements.

Debt

At December 31, 2003, the City of Bedford Heights had \$7,375,356 in outstanding debt and compensated absences, of which \$5,375,000 was in General Obligation Bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
 Outstanding Debt at Year End

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	\$ 4,355,000	\$ 4,680,000	\$ 1,020,000	\$ 1,195,000	\$ 5,375,000	\$ 5,875,000
Special Assessment Bonds	36,000	49,000	-	-	36,000	49,000
Capital Leases Payable	763,651	908,912	31,243	55,870	794,894	964,782
Compensated Absences	887,213	765,748	282,249	244,362	1,169,462	1,010,110
Total	\$ 6,041,864	\$ 6,403,660	\$ 1,333,492	\$ 1,495,232	\$ 7,375,356	\$ 7,898,892

At December 31, 2003, the City's overall legal debt margin was \$33,566,085. At year-end, the outstanding general obligation debt was \$5,375,000 and the outstanding special assessment debt was \$36,000. Other obligations include capital leases, accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the basic financial statements.

Current Related Financial Activities

The City of Bedford Heights, like all municipalities both local and national, continues to face the challenge of economic recession. Basic operating costs continue to rise due to negotiated salary increases, higher benefit costs, and federal and state mandates being placed upon municipalities at the same time federal and state funding is being reduced.

The City of Bedford Heights has seen significant reductions in funding from the Federal and State governments. We are combating these reductions by stimulating economic and community development throughout our business districts and neighborhoods.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2003

In addition, the City of Bedford Heights' systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Bedford Heights with full disclosure of the financial position of the City.

Contacting the City of Bedford Heights' Finance Department

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Mark Cegelka, City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146, telephone (440) 439-1600.

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City of Bedford Heights, Ohio

Statement of Net Assets

December 31, 2003

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
Assets:			
Cash and cash equivalents	\$4,378,113	\$ 550,655	\$ 4,928,768
Accounts receivable, net of allowance for doubtful accounts	557,178	343,810	900,988
Intergovernmental receivable	858,789	-	858,789
Special assessments receivable	151,207	-	151,207
Material and supplies inventory	59,371	59,105	118,476
Prepaid assets	67,428	26,250	93,678
Taxes receivable	5,587,706	-	5,587,706
Non-depreciable capital assets	2,426,692	99,800	2,526,492
Depreciable assets, net	<u>19,273,185</u>	<u>13,066,488</u>	<u>32,339,673</u>
Total Assets	<u>33,359,669</u>	<u>14,146,108</u>	<u>47,505,777</u>
Liabilities:			
Accounts payable	345,378	16,339	361,717
Accrued wages and benefits	611,234	57,868	669,102
Accrued compensated absences	392,275	-	392,275
Due to other governments	156,155	18,980	175,135
Deferred revenue	3,404,516	-	3,404,516
Accrued interest payable	65,196	7,142	72,338
Notes payable	3,100,000	240,000	3,340,000
Special termination benefits payable	108,625	-	108,625
Long term liabilities:			
Due within one year	596,246	223,709	819,955
Due in more than one year	<u>5,445,618</u>	<u>1,109,783</u>	<u>6,555,401</u>
Total Liabilities	<u>14,225,243</u>	<u>1,673,821</u>	<u>15,899,064</u>
Net assets:			
Invested in capital assets, net of related debt	16,545,228	11,875,046	28,420,274
Restricted for:			
Debt service	132,195	-	132,195
Unrestricted	<u>2,457,003</u>	<u>597,241</u>	<u>3,054,244</u>
Total net assets	\$ <u>19,134,426</u>	\$ <u>12,472,287</u>	\$ <u>31,606,713</u>

See Accompanying Notes to the Basic Financial Statements

City of Bedford Heights, Ohio

Statement of Activities

For The Year Ended December 31, 2003

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Government Activities:				
General government	\$ 3,706,046	\$ 312,242	\$ -	\$ -
Security of persons and property	9,011,478	366,210	36,655	240,777
Public health and welfare	351,341	2,246,708	-	-
Leisure time activities	1,427,498	188,565	-	-
Community development	675,173	73,577	156,598	38,438
Basic utility	467,832	-	-	-
Transportation	1,935,912	-	-	-
Interest and fiscal charges	322,093	-	-	-
Total governmental activities	<u>17,897,373</u>	<u>3,187,302</u>	<u>193,253</u>	<u>279,215</u>
Business-Type Activities:				
Sewer	<u>2,876,195</u>	<u>2,495,081</u>	<u>-</u>	<u>-</u>
Total	\$ <u>20,773,568</u>	\$ <u>5,682,383</u>	\$ <u>193,253</u>	\$ <u>279,215</u>

General revenues:
 Property taxes and, levied for:
 General purposes
 Special revenues
 Debt service
 Capital projects
 Income taxes levied for:
 General purposes
 Grants and entitlements not restricted
 to specific programs
 Investment income
 Miscellaneous income
 Gain on disposal of equipment

Total general revenues

Change in net assets

Net assets at beginning of year, restated

Net assets at end of year

See Accompanying Notes to the Basic Financial Statements

<u>Primary Government</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (3,393,804)	\$ -	\$ (3,393,804)
(8,367,836)	-	(8,367,836)
1,895,367	-	1,895,367
(1,238,933)	-	(1,238,933)
(406,560)	-	(406,560)
(467,832)	-	(467,832)
(1,935,912)	-	(1,935,912)
(322,093)	-	(322,093)
<u>(14,237,603)</u>	<u>-</u>	<u>(14,237,603)</u>
<u>-</u>	<u>(381,114)</u>	<u>(381,114)</u>
<u>(14,237,603)</u>	<u>(381,114)</u>	<u>(14,618,717)</u>
1,809,997	-	1,809,997
1,103,784	-	1,103,784
521,230	-	521,230
613,213	-	613,213
8,088,759	-	8,088,759
1,459,130	-	1,459,130
45,097	-	45,097
132,070	10,739	142,809
<u>12,147</u>	<u>-</u>	<u>12,147</u>
<u>13,785,427</u>	<u>10,739</u>	<u>13,796,166</u>
(452,176)	(370,375)	(822,551)
<u>19,586,602</u>	<u>12,842,662</u>	<u>32,429,264</u>
\$ <u>19,134,426</u>	\$ <u>12,472,287</u>	\$ <u>31,606,713</u>

City of Bedford Heights, Ohio

Balance Sheet Governmental Funds

December 31, 2003

	<u>General</u>	<u>Fire Levy</u>
Assets:		
Cash and cash equivalents	\$ 2,414,555	\$ 24,339
Taxes receivable	3,421,052	890,406
Accounts receivable, net of allowance for doubtful accounts	497,173	-
Intergovernmental receivable	473,333	37,871
Special assessments receivable	-	-
Supplies and materials inventory	24,097	-
Prepaid assets	<u>67,428</u>	<u>-</u>
Total assets	<u>\$ 6,897,638</u>	<u>\$ 952,616</u>
Liabilities:		
Accounts Payable	\$ 110,298	\$ -
Accrued Wages and Benefits	245,030	66,635
Accrued Compensated Absences	265,278	76,019
Special termination benefits payable	64,704	-
Due to other governments	116,473	33,763
Deferred Revenue	2,360,404	928,277
Accrued Interest Payable	-	-
Notes Payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,162,187</u>	<u>1,104,694</u>
Fund Balances:		
Reserved for Encumbrances	21,903	2,307
Reserved for Inventory	24,097	-
Reserve for Prepays	67,428	-
Unreserved:		
Undesignated, reported in:		
General fund	3,622,023	-
Special revenue funds	-	(154,385)
Debt service fund	-	-
Capital projects fund	<u>-</u>	<u>-</u>
Total fund balances	<u>3,735,451</u>	<u>(152,078)</u>
Total liabilities and fund balances	<u>\$ 6,897,638</u>	<u>\$ 952,616</u>

See Accompanying Notes to the Basic Financial Statements

Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,575,187	\$ 364,032	\$ 4,378,113
593,605	682,643	5,587,706
31,614	28,391	557,178
25,247	322,338	858,789
-	151,207	151,207
-	35,274	59,371
-	-	67,428
<u>\$ 2,225,653</u>	<u>\$ 1,583,885</u>	<u>\$ 11,659,792</u>
\$ 174,583	\$ 60,497	\$ 345,378
-	299,569	611,234
-	50,978	392,275
-	43,921	108,625
-	5,919	156,155
618,851	1,072,002	4,979,534
24,377	2,453	26,830
<u>3,100,000</u>	<u>-</u>	<u>3,100,000</u>
<u>3,917,811</u>	<u>1,535,339</u>	<u>9,720,031</u>
31,573	14,472	70,255
-	35,274	59,371
-	-	67,428
-	-	3,622,023
-	(133,395)	(287,780)
-	132,195	132,195
<u>(1,723,731)</u>	<u>-</u>	<u>(1,723,731)</u>
<u>(1,692,158)</u>	<u>48,546</u>	<u>1,939,761</u>
\$ <u>2,225,653</u>	\$ <u>1,583,885</u>	\$ <u>11,659,792</u>

City of Bedford Heights, Ohio

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2003

Total Governmental Funds Balances		\$	1,939,761
<i>Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:</i>			
Capital Assets Used in Governmental Activities are not Financial Resources and therefore are not reported in the Funds.			21,699,877
Other Long-Term Assets are not available to pay for current-period expenditures and therefore are deferred in the Funds.			
	Property and other taxes	\$	455,952
	Municipal income taxes		356,808
	Special assessments		142,657
	Intergovernmental		<u>619,601</u>
			1,575,018
In the Statement of Activities, Interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due.			(38,366)
Long-Term Liabilities are not due and payable in the current period and are therefore not reported in the Funds.			
	General obligation bonds		(4,355,000)
	Special assessment bonds		(36,000)
	Capital lease payable		(763,649)
	Compensated absences		<u>(887,215)</u>
			<u>(6,041,864)</u>
<i>Net Assets of Governmental Activities</i>		\$	<u><u>19,134,426</u></u>

See Accompanying Notes to the Basic Financial Statements

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City of Bedford Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For The Year Ended December 31, 2003

	<u>General</u>	<u>Fire Levy</u>
Revenues:		
Property taxes	\$ 1,749,454	\$ 908,308
Municipal income tax	8,382,406	-
Other local taxes	36,628	-
Intergovernmental	736,653	-
Charges for services	2,412,516	-
Licenses and permits	192,315	-
Fines and forfeitures	156,527	-
Special assessments	-	-
Investment income	1,519	-
Miscellaneous income	<u>272,930</u>	<u>25,978</u>
Total revenues	<u>13,940,948</u>	<u>934,286</u>
Expenditures:		
Current operations and maintenance:		
Security of persons and property	5,222,916	2,322,324
Public health and welfare	353,262	-
Leisure time activities	1,236,545	-
Community development	441,659	-
Basic utility services	510,489	-
Transportation	19,615	-
General government	3,495,726	-
Capital outlay	53,587	19,199
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>
Total expenditures	<u>11,333,799</u>	<u>2,341,523</u>
Excess of revenues over (under) expenditures	<u>2,607,149</u>	<u>(1,407,237)</u>
Other financing sources (uses)		
Inception of capital leases	25,752	-
Proceeds from sale of equipment	18,909	2,195
Transfers – in	-	1,340,000
Transfers – out	<u>(2,301,960)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,257,299)</u>	<u>1,342,195</u>
Net change in fund balances	349,850	(65,042)
Fund balances (deficit) beginning of year, restated	<u>3,385,601</u>	<u>(87,036)</u>
Fund balance (deficit) at end of year	\$ <u>3,735,451</u>	\$ <u>(152,078)</u>

See Accompanying Notes to the Basic Financial Statements

Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
\$ 605,538	\$ 696,369	\$ 3,959,669
-	-	8,382,406
-	-	36,628
240,777	581,465	1,558,895
-	-	2,412,516
157,309	99,191	448,815
-	11,899	168,426
-	38,438	38,438
39,970	3,608	45,097
7,670	298,759	605,337
<u>1,051,264</u>	<u>1,729,729</u>	<u>17,656,227</u>
-	1,130,847	8,676,087
-	-	353,262
-	-	1,236,545
-	233,514	675,173
-	60	510,549
451,515	796,784	1,267,914
-	-	3,495,726
1,103,777	113,452	1,290,015
-	338,000	338,000
60,683	276,082	336,765
<u>1,615,975</u>	<u>2,888,739</u>	<u>18,180,036</u>
(564,711)	(1,159,010)	(523,809)
-	62,950	88,702
-	-	21,104
306,171	1,301,960	2,948,131
(340,000)	(306,171)	(2,948,131)
<u>(33,829)</u>	<u>1,058,739</u>	<u>109,806</u>
(598,540)	(100,271)	(414,003)
<u>(1,093,618)</u>	<u>148,817</u>	<u>2,353,764</u>
\$ <u>(1,692,158)</u>	\$ <u>48,546</u>	\$ <u>1,939,761</u>

City of Bedford 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

Net Change in Fund Balances - Total Governmental Funds \$ (\$414,003)

Amounts Reported for *Governmental Activities in the Statement of Activities are different because:*

Governmental Funds report Capital Outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 1,703,689	
Depreciation	<u>(1,948,390)</u>	
Total		(244,701)

In the Statement of Activities, only the loss on the disposal of land and equipment are reported, whereas, in the Governmental Funds, the proceeds from the disposal increase financial resources. Thus, the change in Net Assets differs from the change in Fund Balance by the cost of the Land. (19,953)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Funds.

Property and other taxes	51,927	
Municipal income taxes	(293,647)	
Special assessments	(148,128)	
Intergovernmental	<u>177,667</u>	
Total		(212,181)

Other Financing Sources in the Governmental Funds that increase Long-Term Liabilities in the Statement of Net Assets. These sources were attributed to inception of capital lease. (88,702)

Repayment of Bond Principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. 338,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences	174,692	
Accrued interest on debt	<u>14,672</u>	
Total		<u>189,364</u>

Change in Net Assets of Governmental Activities \$ (452,176)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,712,260	\$ 1,770,000	\$ 1,749,454	\$ (20,546)
Municipal income taxes	8,095,350	8,500,000	8,475,665	(24,335)
Other local taxes	45,000	35,000	31,455	(3,545)
Intergovernmental	662,885	754,250	730,309	(23,941)
Charges for services	2,340,270	2,312,007	2,243,745	(68,262)
Licenses and permits	159,657	191,400	190,665	(735)
Fines and forfeitures	154,000	155,000	152,863	(2,137)
Investment income	-	-	1,519	1,519
Miscellaneous income	255,395	272,250	265,010	(7,240)
Total revenues	<u>13,424,817</u>	<u>13,989,907</u>	<u>13,840,685</u>	<u>(149,222)</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property	5,163,159	5,234,758	5,192,881	41,877
Public health and welfare	388,682	386,779	380,476	6,303
Leisure time activities	1,279,997	1,347,016	1,309,672	37,344
Community development	448,044	446,887	444,399	2,488
Basic utility services	599,239	541,360	528,446	12,914
Transportation	18,168	19,870	19,524	346
General government	3,658,689	3,596,065	3,556,657	39,408
Capital outlay	130,400	95,800	76,573	19,227
Total expenditures	<u>11,686,378</u>	<u>11,668,535</u>	<u>11,508,628</u>	<u>159,907</u>
Excess of revenues over (under expenditures)	<u>1,738,439</u>	<u>2,321,372</u>	<u>2,332,057</u>	<u>10,685</u>
Other financing sources (uses):				
Proceeds from sale of equipment	-	19,000	18,909	(91)
Transfers – out	(2,276,960)	(2,301,960)	(2,301,960)	-
Total other financing sources (uses)	<u>(2,276,960)</u>	<u>(2,282,960)</u>	<u>(2,283,051)</u>	<u>(91)</u>
Net change in fund balances	(538,521)	38,412	49,006	10,594
Fund balance at beginning of year, restated	2,343,276	2,343,276	2,343,276	-
Encumbrances at end of year	<u>22,273</u>	<u>22,273</u>	<u>22,273</u>	-
Fund balance at end of year	\$ <u>1,827,028</u>	\$ <u>2,403,961</u>	\$ <u>2,414,555</u>	\$ <u>10,594</u>

See Accompanying Notes to the Basic Financial Statements

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Fire Levy

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 901,189	\$ 903,888	\$ 908,308	\$ 4,420
Miscellaneous income	18,500	27,700	25,978	(1,722)
Total revenues	<u>919,689</u>	<u>931,588</u>	<u>934,286</u>	<u>2,698</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property	2,258,805	2,296,350	2,284,630	11,720
Capital outlay	17,500	19,500	19,198	302
Total expenditures	<u>2,276,305</u>	<u>2,315,850</u>	<u>2,303,828</u>	<u>12,022</u>
Excess of revenues under expenditures	<u>(1,356,616)</u>	<u>(1,384,262)</u>	<u>(1,369,542)</u>	<u>14,720</u>
Other financing sources (uses):				
Proceeds from sale of equipment	-	-	2,195	2,195
Transfers – in	<u>1,310,000</u>	<u>1,340,000</u>	<u>1,340,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,310,000</u>	<u>1,340,000</u>	<u>1,342,195</u>	<u>2,195</u>
Net change in fund balance	(46,616)	(44,262)	(27,347)	16,915
Fund balance at beginning of year	49,379	49,379	49,379	-
Encumbrances at end of year	<u>2,307</u>	<u>2,307</u>	<u>2,307</u>	<u>-</u>
Fund balance at end of year	\$ <u>5,070</u>	\$ <u>7,424</u>	\$ <u>24,339</u>	\$ <u>16,915</u>

See Accompanying Notes to the Basic Financial Statements

City Of Bedford Heights, Ohio

Statement of Fund Net Assets Proprietary Funds

December 31, 2003

	<u>Business-Type Activities Sewer Treatment Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 550,655
Accounts receivable, net of allowance for doubtful accounts	343,810
Supplies and materials inventory	59,105
Prepaid assets	<u>26,250</u>
Total current assets	<u>979,820</u>
Noncurrent assets:	
Non-depreciable capital assets	99,800
Depreciable capital assets	<u>13,066,488</u>
Total noncurrent assets	<u>13,166,288</u>
Total assets	<u>14,146,108</u>
Liabilities:	
Current liabilities:	
Accounts payable	16,339
Accrued wages and benefits	57,868
Due to other governments	18,980
Accrued interest payable	7,142
Notes payable	240,000
Current portion of long term liabilities	<u>223,709</u>
Total current liabilities	<u>564,038</u>
Long-term liabilities, net of current portion:	
Capital lease payable	5,074
General obligation bonds payable	835,000
Accrued compensated absences	<u>269,709</u>
Total long-term liabilities	<u>1,109,783</u>
Total liabilities	<u>1,673,821</u>
Net assets:	
Invested in capital assets, net of related debt	11,875,046
Unrestricted	<u>597,241</u>
Total net assets	\$ <u><u>12,472,287</u></u>

See Accompanying Notes to the Basic Financial Statements

City Of Bedford Heights, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For The Year Ended December 31, 2003

	<u>Business-Type Activities Sewer Treatment Fund</u>
Operating revenues:	
Charges for services	\$ 2,450,119
Reimbursements	<u>12,719</u>
Total operating revenues	<u>2,462,838</u>
Operating expenses:	
Personal services	1,478,378
Travel and education	14,507
Capital outlay	537,630
Supplies and materials	127,005
Depreciation	<u>604,606</u>
Total operating expenses	<u>2,762,126</u>
Operating loss	(299,288)
Non-operating expenses:	
Interest and fiscal charges	<u>(71,087)</u>
Change in assets	(370,375)
Net assets beginning of year, restated	<u>12,842,662</u>
Net assets end of year	\$ <u><u>12,472,287</u></u>

See Accompanying Notes to the Basic Financial Statements

City Of Bedford Heights, Ohio

Statement of Cash Flows Proprietary Fund Types

For The Year Ended December 31, 2003

	<u>Business-Type Activities</u> Sewer Treatment Fund
Increase (decrease) in cash and cash equivalents:	
Cash flows from operating activities:	
Cash received from customers	\$ 2,510,064
Cash payments for goods and services	(571,452)
Cash payments to employees for services and benefits	(1,466,958)
Cash payments for materials and supplies	(133,001)
Cash received for other operating activities	<u>12,719</u>
Net cash provided by operating activities	<u>351,372</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of assets	(24,992)
Proceeds from general obligation notes	240,000
Principal paid	(469,627)
Interest paid	<u>(72,096)</u>
Net cash used for capital and related financing activities	<u>(326,715)</u>
Net increase in cash and cash equivalents	24,657
Cash and cash equivalents, beginning of year	<u>525,998</u>
Cash and cash equivalents, end of year	\$ <u><u>550,655</u></u>
Reconciliation of net loss to net cash used for operating activities:	
Operating loss	\$ (299,288)
Adjustments:	
Depreciation	604,606
Changes in assets/liabilities:	
Decrease in accounts receivable	59,945
Increase in inventory	(5,996)
Decrease in accounts payable	(28,622)
Increase in accrued wages and benefits	32,951
Increase in compensated absences payable	37,888
Decrease in accrued pension	(59,436)
Increase in due to other governments	<u>9,324</u>
Total adjustments	<u>650,660</u>
Net cash provided by (used for) operating activities	\$ <u><u>351,372</u></u>

See Accompanying Notes to the Basic Financial Statements

City Of Bedford Heights, Ohio

Statement of Fiduciary Net Assets Fiduciary Funds

December 31, 2003

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ <u>4,575</u>
Liabilities:	
Due to other governments	\$ 671
Due to others	<u>3,904</u>
Total liabilities	\$ <u>4,575</u>

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements

For The Year Ended December 31, 2003

Note 1: The Reporting Entity

The City of Bedford Heights is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council form of government, was adopted January 1, 1960.

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, departments, boards and agencies that are not legally separate from the City. For the City of Bedford Heights this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

The Mayor's Court (the Court), which provides judicial services, is responsible for the levying and collecting of fines and forfeitures under state and local laws, and their subsequent distribution to various government agencies. The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court, along with its share of the Court's administrative and operating costs, are recorded in the City's General Fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as an agency fund in the accompanying financial statements.

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

Jointly Governed Organizations

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

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 1: The Reporting Entity (continued)

Jointly Governed Organizations (continued)

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 Bedford Heights did not contribute to NOPEC during 2003. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

Note 2: Summary of Significant Accounting Policies

The financial statements of the City of Bedford Heights have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore 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 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 or business activity is self-financing or draws from the general revenues of the City.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-Major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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. There are three categories of funds: Governmental, Proprietary and Fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances financial resources.

Expendable assets are assigned to the various governmental funds according to the 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 Bedford Heights and/or the general laws of Ohio.

Fire Levy Fund - Accounts for three (3) mills for each one dollar of assessed valuation for the purpose of operating, equipping and housing the City's own division of fire.

Capital Improvements Fund - This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Funds - The proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either Enterprise or Internal Service. The City has no Internal Service funds.

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

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Sewer Treatment Fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Fiduciary Funds - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City has no trust funds.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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. Available period for the City is thirty-one days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants 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. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

An annual appropriated budget is legally required to be prepared for all funds of the City other than Agency funds. Council passes appropriations at the fund level. Line item appropriations may be transferred between the accounts with the approval of the City Manager, Finance Director, and respective department head. Council must approve any revisions in the budget that alter total fund appropriations.

The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for annual appropriations measure.

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments are made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission finds the revised estimates to be reasonable, the amounts reported in the budgetary statements as original represent the amounts in the first official certificate of estimated resources issued during 2003. The amounts reported in the budgetary as final reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Annual Estimate

The Mayor, with the assistance of the Finance Director, is required by Charter to submit to Council, on or before December 1 of each fiscal year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. During the year, several supplemental appropriation measures were necessary. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for each fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is reappropriated.

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made to personal services, travel and education, contractual services, supplies and materials, capital outlay, debt principal and interest payments, and transfer accounts for each department. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Encumbrances

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2003, the City invested in STAROhio, certificates of deposit, obligations of other United States governmental agencies, commercial paper, and repurchase agreements.

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003.

Following Ohio statutes, City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Individual investments are specifically identified as to which fund or funds the investment relates, and which funds are to be credited with the related interest earnings.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

G. Inventory

Inventory is valued at cost on a first-in, first-out basis. The costs of inventory items is recorded as expenditure in the governmental fund types and expenses in the proprietary fund types when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed. At December 31, 2003 the amount of prepaid items is not considered material.

I. Capital Assets

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

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

All 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Machinery and Equipment	10 to 15 years
Vehicles	6 to 10 years
Infrastructure	25 to 50 years
Sewerlines	15 to 20 years

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City’s termination policy. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

M. 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. Fund balance reserves have been established for encumbrances and inventories.

N. Net Assets

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are reimbursements for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. 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.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 2: Summary of Significant Accounting Policies (continued)

R. 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 balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statements of Revenue, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budget basis) rather than a reservation of fund balance (GAAP basis).

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Fire Levy</u>
GAAP Basis	\$ 349,850	\$ (65,042)
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals	(126,015)	-
Expenditure Accruals	(152,556)	40,002
Encumbrances	<u>(22,273)</u>	<u>(2,307)</u>
Budget Basis	\$ <u>49,006</u>	\$ <u>(27,347)</u>

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 4: Deposits and Investments

The City's Charter specifies that investments of the City will adhere to state statutes. Under these statutes, the Finance Director is responsible for selecting depositories and investing funds. The City, by statute, is to limit deposits and investments of City funds to insured demand deposit accounts, certificates of deposit, United States treasury bills, or obligations of other United States governmental agencies for which the principal and interest is guaranteed by the United States government, commercial paper, and repurchase agreements.

Protection of City cash and investments is provided by the various federal deposit insurance corporations as well as qualified securities pledged by the institutions holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110% of public funds deposited. At least quarterly, the City determines that the collateral has a market value adequate to cover the deposits. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits

At year end, the carrying amount of the City's deposits was \$519,144 and the bank balance was \$733,396. Of the bank balance:

1. \$200,000 was covered by the federal depository insurance, by collateral held by the City or by its agent in the name of the City.
2. \$533,396 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

The City's investments are categorized to give an indication of the level of risk assumed as of December 31, 2003. Category 1 includes investments that are insured or registered, or securities held by the City or by its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the City's name. As of December 31, 2003, the City's investments are classified as follows:

<u>Description</u>	<u>Risk Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
STAROhio*	\$ -	\$ 3,414,507	\$ 3,414,507
Federal Farm Credit Bank	500,000	500,000	500,000
Federal Home Loan Mortgage Corp.	499,692	499,692	499,692
Total Investments	\$ <u>999,692</u>	\$ <u>4,414,199</u>	\$ <u>4,414,199</u>

*Noncategorized

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 4: Deposits and Investments (continued)

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting". Cash and equivalents are defined to include investments with original maturities of three months or less and funds included within the City's cash management pool. Reconciliation between the classification of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
Investments:		
GASB Statement No. 9	\$ 4,933,343	\$ -
U.S. Government Securities	(999,692)	999,692
STAROhio	<u>(3,414,507)</u>	<u>3,414,507</u>
GASB Statement No. 3	\$ <u>519,144</u>	\$ <u>4,414,199</u>

Note 5: Receivables

Receivables at December 31, 2003 consisted primarily of taxes, intergovernmental receivables arising from grants, special assessments, charges for sewer treatment services, and charges for prisoner housing. All receivables are considered fully correctable.

A. Property Tax

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2003. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for *ad valorem* taxation purposes at 25 percent of its true value. Amounts 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 50 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 5: Receivables (continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Bedford Heights. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2003, was \$12.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$ 236,562,720
Tangible Personal	76,452,960
Public Utility	<u>6,661,320</u>
Total	<u>\$ 319,677,000</u>

B. Income Tax

The City levies and collects an income tax of two percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least monthly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City, by ordinance, allocates income tax revenues and expenditures for collecting, administering, and enforcing the tax to the general, various debt service and capital projects funds.

C. Intergovernmental

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Local Governmental	\$ 383,611
Homestead and Rollback	164,108
Public Utility Reimbursement	12,767
Gasoline Tax	132,720
Motor Vehicle License	144,092
Permissive Auto Registration	6,394
D.A.R.E. Grant	5,000
COPS Grant	<u>10,097</u>
Total	<u>\$ 858,789</u>

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 6: Capital Assets

Capital asset activity for Governmental Activities for the year ended December 31, 2003, was as follows:

	Balance 12/31/02	Adjustments	Restated Balance 12/31/02	Additions	Disposals	Balance 12/31/03
Governmental Activities						
Nondepreciable assets						
Land	\$ 1,675,301	\$ (46,942)	\$ 1,628,359	\$ -	\$ -	\$ 1,628,359
Construction in progress	-	-	-	798,333	-	798,333
Total nondepreciable assets	<u>1,675,301</u>	<u>(46,942)</u>	<u>1,628,359</u>	<u>798,333</u>	<u>-</u>	<u>2,426,692</u>
Depreciable assets						
Buildings and improvements	15,492,021	(120,120)	15,371,901	-	-	15,371,901
Machinery & equipment	3,764,964	(1,035,516)	2,729,448	156,517	-	2,885,965
Vehicles	3,895,491	(477,120)	3,418,371	129,007	(249,057)	3,298,321
Infrastructure						
Streets	-	10,012,887	10,012,887	548,390	-	10,561,277
Water Lines	-	2,801,097	2,801,097	71,442	-	2,872,539
Total depreciable assets	<u>23,152,476</u>	<u>11,181,228</u>	<u>34,333,704</u>	<u>905,356</u>	<u>(249,057)</u>	<u>34,990,003</u>
Less accumulated depreciation:						
Buildings and improvements	-	(5,741,221)	(5,741,221)	(380,642)	-	(6,121,863)
Machinery & equipment	-	(1,407,315)	(1,407,315)	(432,431)	-	(1,839,746)
Vehicles	-	(2,105,930)	(2,105,930)	(578,528)	229,104	(2,455,354)
Infrastructure						
Streets	-	(4,447,339)	(4,447,339)	(528,064)	-	(4,975,403)
Water Lines	-	(295,727)	(295,727)	(28,725)	-	(324,452)
Total accumulated depreciation	<u>-</u>	<u>(13,997,532)</u>	<u>(13,997,532)</u>	<u>(1,948,390)</u>	<u>229,104</u>	<u>(15,716,818)</u>
Total depreciable assets, net	<u>23,152,476</u>	<u>(2,816,304)</u>	<u>20,336,172</u>	<u>(1,043,034)</u>	<u>(19,953)</u>	<u>19,273,185</u>
Governmental activities capital assets, net	\$ <u>24,827,777</u>	\$ <u>(2,863,246)</u>	\$ <u>21,964,531</u>	\$ <u>(244,701)</u>	\$ <u>(19,953)</u>	\$ <u>21,699,877</u>

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 6: Capital Assets (continued)

Capital asset activity for Business-type Activities for the year ended December 31, 2003, was as follows:

	Balance 12-31-02	Adjustments	Restated Balance 12/31/02	Additions	Disposals	Balance 12-31-03
Business-type Activities						
Nondepreciable assets						
Land	\$ 99,800	\$ -	\$ 99,800	\$ -	\$ -	\$ 99,800
Depreciable assets						
Buildings and improvements	9,153,255	-	9,153,255	19,779	-	9,173,034
Machinery & equipment	8,045,110	(208,328)	7,836,782	5,213	-	7,841,995
Vehicles	184,227	-	184,227	-	-	184,227
Infrastructure						
Sewers	6,893,694	(1,038,933)	5,854,761	-	-	5,854,761
Total depreciable assets	24,276,286	(1,247,261)	23,029,025	24,992	-	23,054,017
Less accumulated depreciation:						
Buildings and improvement	(4,751,706)	(42,699)	(4,794,405)	(233,571)	-	(5,027,976)
Machinery & equipment	(3,942,122)	266,546	(3,675,576)	(241,941)	-	(3,918,517)
Vehicles	(132,118)	2,184	(129,934)	(17,019)	-	(146,953)
Infrastructure						
Sewers	(5,396,853)	4,613,845	(783,008)	(111,075)	-	(894,083)
Total accumulated depreciation	(14,222,799)	4,839,876	(9,382,923)	(604,606)	-	(9,987,529)
Total depreciable assets, net	10,053,487	3,592,615	(13,646,102)	(579,614)	-	13,066,488
Business-type capital assets, net	\$ 10,153,287	\$ 3,592,615	\$ 13,745,902	\$ (579,614)	\$ -	\$ 13,166,288

*Depreciation expense was charged to governmental activities as follows:

General Government	\$ 335,413
Security of Persons and Property	615,761
Leisure Time Activities	233,547
Basic Utility Services	28,725
Transportation	734,944
Total	\$ 1,948,390

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 7: Notes Payable

Note debt activity for the year ended December 31, 2003, consisted of the following:

	Balance December 31, <u>2002</u>	(Retired) Issued	Balance December 31, <u>2003</u>
Governmental Activities			
2.6% 2002 Real Estate Acquisition	\$ 300,000	\$ (300,000)	\$ -
2.6% 2002 Renovating, Heating, Ventilation System	400,000	(400,000)	-
2.6% 2002 Roof Replacement, Ventilation System	600,000	(600,000)	-
2.6% 2002 Roof Replacement, WWTP	270,000	(270,000)	-
2.6% 2002 Water Main Replacement	120,000	(120,000)	-
1.35% 2003 Real Estate Acquisition	-	250,000	250,000
1.35% 2003 Renovating, Heating, Ventilation System	-	375,000	375,000
1.35% 2003 Roof Replacement, Ventilation System	-	575,000	575,000
1.30% 2003 Corrections Facility Improvement	-	1,800,000	1,800,000
1.35% 2003 Water Main Replacement	-	100,000	100,000
Total governmental activities notes	\$ <u>1,690,000</u>	\$ <u>1,410,000</u>	\$ <u>3,100,000</u>
Business-type Activities			
1.35% 2003 Roof Replacement, WWTP	\$ -	\$ 240,000	\$ 240,000

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. There are also limitations on the number of times notes can be renewed.

Note 8: Long-Term Debt

A. Original Issues

The original issue date, interest rates and original issuance amount for each of the City's bonds follows:

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
General Obligation Bonds:			
Community Center Expansion	1994	4.90% - 5.65%	\$2,660,000
Various Purpose Bonds	1998	4.45% - 4.75%	750,000
Jail Facilities	1995	4.75% - 6.50%	1,525,000
Refunding Bond Issue	1994	4.90% - 5.65%	1,195,000
Special Assessment Bonds:			
N. Perkins Road Improvements	1986	7.375%	153,000
Hist Road Improvement	1983	9.625%	84,000

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 8: Long-Term Debt (continued)

B. Bonded Debt and Other Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2003 was as follows:

	Balance December 31, 2002	(Retired) Issued	Balance December 31, 2003	Due Within One Year
Governmental Activities				
<u>General Obligation Bonds</u>				
Jail Facilities Improvement due through 2014	\$ 1,525,000	\$ (90,000)	\$ 1,435,000	\$ 95,000
Community Center Expansion due through 2014	2,660,000	(160,000)	2,500,000	170,000
Various Purpose Bonds due through 2008	<u>495,000</u>	<u>(75,000)</u>	<u>420,000</u>	<u>75,000</u>
Total general obligation bonds	<u>4,680,000</u>	<u>(325,000)</u>	<u>4,355,000</u>	<u>340,000</u>
<u>Special Assessment Bonds</u>				
Hist Road Improvement due through 2003	4,000	(4,000)	-	-
N. Perkins Road Improvement due through 2007	<u>45,000</u>	<u>(9,000)</u>	<u>36,000</u>	<u>9,000</u>
Total special assessment bonds	<u>49,000</u>	<u>(13,000)</u>	<u>36,000</u>	<u>9,000</u>
<u>Other Long-Term Obligations</u>				
Capital Leases Payable	908,912	88,702		
		(233,963)	763,651	205,872
Accrued Compensated Absences, restated	<u>765,748</u>	<u>121,465</u>	<u>887,213</u>	<u>41,374</u>
Total Other Long-Term Obligation	<u>1,674,660</u>	<u>(23,796)</u>	<u>1,650,864</u>	<u>247,246</u>
Total governmental activities long-term liabilities	\$ <u>6,403,660</u>	\$ <u>(361,796)</u>	\$ <u>6,041,864</u>	\$ <u>596,246</u>
Business-Type Activities				
<u>General Obligation Bonds</u>				
Refunding bond issue due through 2008	\$ 1,195,000	\$ (175,000)	\$ 1,020,000	\$ 185,000
Capital leases payable	55,870	(24,627)	31,243	26,168
Accrued compensated absences, restated	<u>244,362</u>	<u>37,887</u>	<u>282,249</u>	<u>12,541</u>
Total business-type activities long-term liabilities	\$ <u>1,495,232</u>	\$ <u>(161,740)</u>	\$ <u>1,333,492</u>	\$ <u>223,709</u>

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 8: Long-Term Debt (continued)

B. Bonded Debt and Other Long-Term Obligations (continued)

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2003 are as follows:

	<u>General Obligation Bonds</u>		<u>Governmental Activities</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 340,000	\$ 251,528	\$ 9,000	\$ 2,655	\$ 349,000	\$ 254,183
2005	360,000	233,963	9,000	1,991	369,000	235,954
2006	380,000	214,113	9,000	1,328	389,000	215,441
2007	405,000	193,020	9,000	664	414,000	193,684
2008	420,000	170,015	-	-	420,000	170,015
2009-2013	1,980,000	508,721	-	-	1,980,000	508,721
2014	<u>470,000</u>	<u>28,043</u>	<u>-</u>	<u>-</u>	<u>470,000</u>	<u>28,043</u>
Totals	\$ <u>4,355,000</u>	\$ <u>1,599,403</u>	\$ <u>36,000</u>	\$ <u>6,638</u>	\$ <u>4,391,000</u>	\$ <u>1,606,041</u>

<u>Business-Type Activities</u>	
<u>General Obligation Bonds</u>	
<u>Principal</u>	<u>Interest</u>
2004	\$ 185,000 \$ 56,520
2005	195,000 47,178
2006	200,000 36,160
2007	210,000 24,860
2008	<u>230,000</u> <u>12,995</u>
Totals	\$ <u>1,020,000</u> \$ <u>177,713</u>

General obligation bonds and notes are direct obligations of the City for which its full faith and credit are pledged for repayment.

In the event that revenues are not sufficient to meet annual principal and interest requirements, the City has reserved the right to levy property tax millage in an amount necessary to retire principal and interest.

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be received in and the debt will be retired through the General Bond Retirement Debt Service Fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

The City's overall legal debt margin was \$33,566,085 at December 31, 2003.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 9: Capital Leases

The City has entered into lease agreements as lessee for financing which relate to various equipment and vehicles. These leases are long-term agreements which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases." These agreements provide for minimum annual rental payments as follows:

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2003, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Machinery and Equipment	\$ 26,366	\$ 31,540
Less: Accumulated Depreciation	<u>(5,150)</u>	<u>(15,770)</u>
Total	<u>\$ 21,216</u>	<u>\$ 15,770</u>
Vehicles	\$ 1,457,988	\$ 81,751
Less: Accumulated Depreciation	<u>(1,041,416)</u>	<u>(57,225)</u>
Total	<u>\$ 416,572</u>	<u>\$ 24,526</u>

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.

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2004	\$ 242,233	\$ 27,577
2005	149,059	5,175
2006	144,550	-
2007	104,910	-
2008	98,016	-
2009-2010	<u>136,683</u>	<u>-</u>
Total minimum lease payments	875,451	32,752
Less: Amount representing interest	<u>111,800</u>	<u>1,509</u>
Present value of minimum lease payments	<u>\$ 763,651</u>	<u>\$ 31,243</u>

Lease payments are made from the General, Street Construction Maintenance and Repair, Fire Levy and Sewer Treatment Funds. The lease payments amount will be paid with current, available resources that have accumulated in the fund for payment early in the following year.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 10: Compensated Absences

In conformity with GASB Statement No. 16, the City accrues vacation and compensatory time benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Likewise, the City accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the pay rates in effect at December 31, 2003. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

Vacation leave is earned at rates, which vary depending upon length of service and standard workweek. The City's current vacation policy specifies that accumulated vacation leave must be used prior to December 31 of the year following the year in which it is earned unless approved by Council by motion.

Each department earns sick leave at a negotiated rate per month. Each employee with the City is paid a portion of the employee's earned unused sick leave, with a maximum number of hours per department specifications, upon retirement from the City with 10 years of service. The Police and Fire Departments are able to accumulate compensatory time in lieu of being paid overtime, to be taken anytime or paid at time of separation.

Note 11: Pension Plans

A. *Ohio Public Employees Retirement System*

All full-time employees, other than non-administrative full-time police officers and firefighters, contribute to the Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans as described below:

- The traditional pension plan (TP) – a cost sharing multiple-employer defined benefit pension plan.
- The member-directed plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- The combined plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the combined plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 11: Pension Plans (continued)

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the traditional plan. City employees are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer contribution rate for the City was 13.55 percent of covered payroll. The City's contributions to the OPERS for the years ended December 31, 2003, 2002 and 2001 were \$372,435, \$236,189, and \$253,156, respectively. The full amount has been contributed for 2002 and 2001. 77.7 percent has been contributed for in 2003, with the remainder being presented as "intergovernmental payable" in the governmental activities column of the statement of net assets.

The City contributes to the Ohio Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The System issues a stand-alone financial report. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer contribution rate for local governments was 13.55 percent of covered payroll. The City's contributions to the System for the years ended December 31, 2003, 2002 and 2000 were \$466,841, \$449,865, and \$476,642, respectively, equal to the required contributions for each year.

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City of Bedford Heights' contributions to OP&F for the years ending December 31, 2003, 2002 and 2000 were \$847,502, \$803,058, and \$777,417, respectively, equal to the required contributions for each year.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 11: Pension Plans (continued)

C. Early Retirement Incentive Plan

The City provides an early retirement plan for all employees for whom the City is obligated to contribute to the Ohio Public Employees Retirement System ("OPERS"). The Plan is a single employer defined benefit pension plan available to an employee who is eligible to retire under OPERS. The Plan is between the City and a participant which a) obligates the City to purchase service credit on behalf of the participant; b) specifies a date on which the City will pay or commence payment to OPERS for the service credit to be purchased; and c) obligates the participant to retire within 90 days of receiving notice from OPERS that the City has paid for or commenced payment for such service credit on behalf of the participant.

As of December 31, 2003, a liability of \$108,628 has been recorded as part of accrued compensated absences in the government-wide statement of net assets. The City plans to cover this obligation through annual appropriations. The charge to expenditures for employees retired under the Plan for 2003 was \$85,063.

Note 12: Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (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 (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55 percent of covered payroll; 5.0 percent was the portion used to fund health care for the year. During 2003, the City's portion that was used to fund health care was \$269,498, representing 5.0 percent of covered payroll.

The postretirement health care coverage is advance-funded on an actuarially determined basis. The following assumptions and calculations were based on OPERS's latest actuarial review performed as of December 31, 2002; an entry age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities; the difference between assumed and actual experience is part of the unfunded actuarial accrued liability; the investment assumption rate for 2002 was 8.0 percent; all investments are carried at market value; for actuarial valuation purposes, a smoothed market approach is used – meaning that assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets; individual pay increases are assumed to increase 4.0 percent compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.0 percent base increase were assumed to range from 0.50 percent to 6.30 percent; and health care costs are assumed to increase 4.0 percent annually. The actuarially accrued postretirement health care liability for OPERS at December 31, 2002 was \$18.7 billion. The net assets were \$10.0 billion leaving an unfunded actuarial accrued liability of \$8.7 billion. The number of active participants was 402,041.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 12: Postemployment Benefits (continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (“OP&F”) provides post-retirement health care coverage to any person who received 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 that health care cost paid from the funds of OP&F shall be included in the employer’s contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing the Ohio Police and Fire Pension Fund’s Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75 percent of covered payroll in 2003. The allocation was 7.75 percent in 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2002, the date of the last actuarial valuation available, was 13,527 for police and 10,396 for firefighters. The City’s actual contributions for 2003 that were used to fund post-employment benefits were \$160,060 for police and \$143,624 for firefighters. OP&F’s total health care expenses for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of member contributions of \$12,623,875.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 13: Risk Management

The Northern Ohio Risk Management Association (NORMA) is jointly owned and operated by the Cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, and South Euclid for the purpose of enabling its members to obtain maximum exposure protection at the least possible cost. The pool has a complete package of coverage, including property, general liability, automobile liability, employee dishonesty, boiler and machinery, and other coverages, supplemented by an umbrella liability policy. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of one representative from each of the participating members. Each entity must commit to the joint venture for terms of three years.

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the City's percentage of contributions. In the event of losses, the first \$1,000 to \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. As of December 31, 2003, NORMA had an aggregate stop loss ranging from \$400,000 to \$775,000 per policy year. Any losses over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment. (This has not been necessary throughout the 13-year history of the pool.)

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

Note 14: Interfund Transactions

Interfund transfers for the year ended December 31, 2003, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	
Fire Levy Fund	\$ 1,340,000	\$ -	\$ -	\$ 1,340,000
Capital Improvements Fund	-	-	306,171	306,171
Nonmajor Governmental Funds	<u>961,960</u>	<u>340,000</u>	<u>-</u>	<u>1,301,960</u>
	\$ <u>2,301,960</u>	\$ <u>340,000</u>	\$ <u>306,171</u>	\$ <u>2,948,131</u>

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

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 15: Contingencies/Pending Litigation

The City is currently involved in a variety of litigation. It is the opinion of the City's management that the ultimate settlement of such litigation will not result in a material adverse effect on the City's financial position and results of operations.

Note 16: Accountability and Compliance

Special Revenue Funds

There are deficits in the Fire Levy, Police Pension, Fire Pension, and the Ambulance Service Special Revenue Funds of \$152,078, \$126,141, \$141,066 and \$11,455, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

Capital Projects Fund

The Capital Improvements Fund has a deficit of \$1,692,158, caused by the application of accounting principles generally accepted in the United States of America to the Fund. Bond anticipation note proceeds used to finance the projects are not recognized as "Other Financing Sources," but rather as a fund liability. The deficit in this fund will be eliminated when the project is near completion and the note is bonded and/or resources are provided for the retirement of the note.

Note 17: Change in Accounting Principle and Restatement of Prior Year Fund Balances

A. *Changes in Accounting Principles*

For 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

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

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2001, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 17: Change in Accounting Principle and Restatement of Prior Year Fund Balances (continued)

A. Changes in Accounting Principles (continued)

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The City has also implemented a new capital asset policy increasing the capitalization threshold for capital assets from \$1,000 to \$5,000.

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

B. Restatement of Fund Balance

	<u>General Fund</u>	<u>Fire Levy Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance, December 31, 2002	\$ 2,723,957	\$ (87,036)	\$ (870,618)	\$ 226,442	\$ 1,992,745
Reclassification adjustments:					
Restatement of accounts receivable	-	-	(223,000)		(223,000)
Reclassification of special termination benefits	(121,528)	-	-	(77,625)	(199,153)
Fund reclassification	2,395,551	-	-		2,395,551
Long-term liabilities	1,571,929	-	-	-	1,571,929
Capital assets	<u>(3,184,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,184,308)</u>
Fund Balance, December 31, 2002, restated	\$ <u>3,385,601</u>	\$ <u>(87,036)</u>	\$ <u>(1,093,618)</u>	\$ <u>148,817</u>	2,353,764
GASB 34 Adjustments:					
Capital assets					21,964,531
Long-term liabilities					(6,403,660)
Accrued wages and benefits					(62,194)
Long-term (deferred) assets					1,787,199
Accrued interest payable					<u>(53,038)</u>
Governmental Activities Net Assets, December 21, 2002					\$ <u>19,586,602</u>

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2003

Note 17: Change in Accounting Principle and Restatement of Prior Year Fund Balances (continued)

B. Restatement of Fund Balance (continued)

	<u>Business-Type Activities</u> Sewer Treatment Fund	<u>Governmental Activities</u> Internal Service Fund
Fund Balance, December 31, 2002	\$ 9,407,014	\$ 2,395,551
Reclassification adjustments:		
Fund reclassification		(783,172)
Restatement of accrued compensated absences	(55,997)	-
Restatement of accounts receivable	(100,970)	-
Restatement of capital assets	3,592,615	(3,184,308)
Restatement of long-term liabilities	<u>-</u>	<u>1,571,929</u>
Business-Type Activities Net Assets, December 21, 2002	\$ <u>12,842,662</u>	\$ <u>-</u>

The General Fund budgetary statement beginning fund balance has also been restated for the fund reclassification.

City of Bedford Heights, Ohio

Combining Statements
Non-Major Governmental Funds

December 31, 2003

Non-Major Special Revenue Funds

State Highway Improvement Fund

Required by the Ohio Revised code to account for that portion of the state gasoline tax and motor vehicle registration fees designed for maintenance of state highways within the City.

Street Maintenance and Repair Fund

Accounts for revenues from state license and gasoline taxes which must be used for the repair, maintenance and construction of City streets.

Safety Department Equipment Fund

Accounts for an enterprise zoning charge to be used for the Police and Fire Departments to purchase safety equipment.

Community Development Block Grant Fund

Accounts for revenue from the federal government and expenditures as prescribed under the Community Development Block Grant Program.

Police Pension Fund

Accumulates property taxes levied for the payment of the current employer's pension contributions.

Fire Pension Fund

Accumulates property taxes levied for the payment of the current employer's pension contributions.

Law Enforcement Trust Fund

Accounts for the proceeds from items sold that are confiscated by the City of Bedford Heights Police Department. These proceeds are restricted to the purchasing of law enforcement equipment, supplies or training materials.

D.U.I. Enforcement and Education Fund

Accounts for fines from D.U.I. convictions to be used for educating the public of laws governing the operation of motor vehicles.

(continued)

City of Bedford Heights, Ohio

Combining Statements
Non-Major Governmental Funds (Continued)

December 31, 2003

Non-Major Special Revenue Funds (continued)

Ambulance Service Fund

Accounts for the proceeds received and payments made for ambulance services.

Litter Control Grant Fund

Accounts for the proceeds received to provide educational information to residents regarding recycling and litter control.

COPS Fund

Accounts for the proceeds and disbursements of a federal grant used for community police programs.

Commissary Fund

Accounts for the receipts in monies received from the inmates housed in the City's correction's facility for the purpose of purchasing commissary items.

Mayor's Court Computer Fund

Accounts for Mayor's Court costs imposed to finance the computerization, acquisition and maintenance of legal research services for the Mayor's Court.

Local Law Enforcement Grant Fund

Accounts for the proceeds and disbursements of a local grant used for the purchase of equipment for police personnel and vehicles.

Non-Major Debt Service Fund

Debt Service Fund

Accounts for the transfers in and tax levies that are utilized for the repayment of general obligation debt.

City Of Bedford Heights, Ohio

Combining Balance Sheet Non-Major Governmental Funds

December 31, 2003

	Nonmajor Special Revenue Funds	Non-major Debt Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 237,932	\$ 126,100	\$ 364,032
Taxes receivable	178,080	504,563	682,643
Accounts receivable	28,391	-	28,391
Intergovernmental receivable	300,878	21,460	322,338
Special assessments	-	151,207	151,207
Supplies and materials inventory	35,274	-	35,274
Total assets	\$ <u>780,555</u>	\$ <u>803,330</u>	\$ <u>1,583,885</u>
Liabilities and fund balance:			
Liabilities:			
Accounts payable	\$ 60,497	\$ -	\$ 60,497
Accrued wages and benefits	299,569	-	299,569
Accrued compensated absences	50,978	-	50,978
Special termination benefits payable	43,921	-	43,921
Due to other governments	5,919	-	5,919
Deferred revenue	403,320	668,682	1,072,002
Accrued interest payable	-	2,453	2,453
Total liabilities	<u>864,204</u>	<u>671,135</u>	<u>1,535,339</u>
Fund balance:			
Reserved for encumbrances	14,472	-	14,472
Reserved for inventory	35,274	-	35,274
Unreserved (deficit):			
Undesignated; reported in:			
Special revenue funds	(133,395)	-	(133,395)
Debt service fund	-	132,195	132,195
Total fund balances (deficit)	<u>(83,649)</u>	<u>132,195</u>	<u>48,546</u>
Total liabilities and fund balances	\$ <u>780,555</u>	\$ <u>803,330</u>	\$ <u>1,583,885</u>

City Of Bedford Heights, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

For The Year Ended December 31, 2003

	Nonmajor Special Revenue Funds	Non-major Debt Funds	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$ 181,662	\$ 514,707	\$ 696,369
Intergovernmental	581,465	-	581,465
Licenses and permits	99,191	-	99,191
Fines and forfeitures	11,899	-	11,899
Special assessments	-	38,438	38,438
Investment income	380	3,228	3,608
Miscellaneous income	<u>298,759</u>	<u>-</u>	<u>298,759</u>
Total revenues	<u>1,173,356</u>	<u>556,373</u>	<u>1,729,729</u>
Expenditures:			
Current operations and maintenance:			
Security of persons and property	1,130,847	-	1,130,847
Community development	233,514	-	233,514
Basic utility Services	60	-	60
Transportation	796,784	-	796,784
Capital outlay	113,452	-	113,452
Debt service:			
Principal retirement	-	338,000	338,000
Interest and fiscal charges	<u>-</u>	<u>276,082</u>	<u>276,082</u>
Total expenditures	<u>2,274,657</u>	<u>614,082</u>	<u>2,888,739</u>
Excess of revenues (under) expenditures	<u>(1,101,301)</u>	<u>(57,709)</u>	<u>(1,159,010)</u>
Other financing sources (uses):			
Inception of capital leases	62,950	-	62,950
Transfers – in	865,000	436,960	1,301,960
Transfers – out	<u>-</u>	<u>(306,171)</u>	<u>(306,171)</u>
Total other financing sources (uses)	<u>927,950</u>	<u>130,789</u>	<u>1,058,739</u>
Net change in fund balances	(173,351)	73,080	(100,271)
Fund balance at beginning of year	<u>89,702</u>	<u>59,115</u>	<u>148,817</u>
Fund balance (deficit) at end of year	<u>\$ (83,649)</u>	<u>\$ 132,195</u>	<u>\$ 48,546</u>

City of Bedford Heights, Ohio

Combining Balance Sheet Non-Major Special Revenue Funds

December 31, 2003

	<u>State Highway Improvement</u>	<u>Street Maintenance & Repair</u>	<u>Safety Department Equipment</u>	<u>Community Development Block Grant</u>
Assets:				
Cash and cash equivalents	\$ 36,721	\$ 57,821	\$ 31,718	\$ 1,649
Taxes receivable	-	-	-	-
Accounts receivable	-	-	-	21,932
Intergovernmental receivable	20,761	262,445	-	-
Supplies and materials inventory	-	35,274	-	-
Total assets	<u>\$ 57,482</u>	<u>\$ 355,540</u>	<u>\$ 31,718</u>	<u>\$ 23,581</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 10,595	\$ 473	\$ -	\$ 6,262
Accrued wages and benefits	-	19,378	-	-
Accrued compensated absences	-	50,978	-	-
Special termination benefits payable	-	43,921	-	-
Due to other governments	-	5,224	-	-
Deferred revenue	16,326	201,342	-	-
Total liabilities	<u>26,921</u>	<u>321,316</u>	<u>-</u>	<u>6,262</u>
Fund balances:				
Reserved for encumbrances	-	3,073	-	2,341
Reserved for inventory	-	35,274	-	-
Unreserved (deficit); undesignated	<u>30,561</u>	<u>(4,123)</u>	<u>31,718</u>	<u>14,978</u>
Total fund balances (deficit)	<u>30,561</u>	<u>34,224</u>	<u>31,718</u>	<u>17,319</u>
Total liabilities and fund balances (deficit)	<u>\$ 57,482</u>	<u>\$ 355,540</u>	<u>\$ 31,718</u>	<u>\$ 23,581</u>

<u>Police Pension</u>	<u>Fire Pension</u>	<u>Law Enforcement Trust</u>	<u>DUI Enforcement & Education</u>	<u>Ambulance Service</u>	<u>Litter Control Grant</u>
\$ 10,953	\$ 670	\$ 21,152	\$ 18,481	\$ 24,162	\$ 9,157
89,040	89,040	-	-	-	-
-	-	-	-	6,459	-
3,787	3,787	-	-	-	-
-	-	-	-	-	-
<u>\$ 103,780</u>	<u>\$ 93,497</u>	<u>\$ 21,152</u>	<u>\$ 18,481</u>	<u>\$ 30,621</u>	<u>\$ 9,157</u>
\$ -	\$ -	\$ -	\$ -	\$ 42,076	\$ -
137,103	141,737	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
92,826	92,826	-	-	-	-
<u>229,929</u>	<u>234,563</u>	<u>-</u>	<u>-</u>	<u>42,076</u>	<u>-</u>
-	-	1,800	-	-	7,143
-	-	-	-	-	-
<u>(126,149)</u>	<u>(141,066)</u>	<u>19,352</u>	<u>18,481</u>	<u>(11,455)</u>	<u>2,014</u>
<u>(126,149)</u>	<u>(141,066)</u>	<u>21,152</u>	<u>18,481</u>	<u>(11,455)</u>	<u>9,157</u>
<u>\$ 103,780</u>	<u>\$ 93,497</u>	<u>\$ 21,152</u>	<u>\$ 18,481</u>	<u>\$ 30,621</u>	<u>\$ 9,157</u>

(continued)

City Of Bedford Heights, Ohio

Combining Balance Sheet Non-Major Special Revenue Funds (Continued)

December 31, 2003

	<u>COPS</u>	<u>Commissary</u>	<u>Mayor's Court Computer</u>	<u>Local Law Enforcement Grant</u>	<u>Total Non-Major Special Revenue Funds</u>
Assets:					
Cash and cash equivalents	\$ 14,136	\$ 6,033	\$ 3,789	\$ 1,490	\$ 237,932
Taxes receivable	-	-	-	-	178,080
Accounts receivable	-	-	-	-	28,391
Intergovernmental receivable	10,098	-	-	-	300,878
Supplies and materials inventory	-	-	-	-	35,274
Total assets	<u>\$ 24,234</u>	<u>\$ 6,033</u>	<u>\$ 3,789</u>	<u>\$ 1,490</u>	<u>\$ 780,555</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ -	\$ 1,091	\$ -	\$ -	\$ 60,497
Accrued wages and benefits	1,351	-	-	-	299,569
Accrued compensated absences	-	-	-	-	50,978
Special termination benefits payable	-	-	-	-	43,921
Due to other governments	695	-	-	-	5,919
Deferred revenue	-	-	-	-	403,320
Total liabilities	<u>2,046</u>	<u>1,091</u>	<u>-</u>	<u>-</u>	<u>864,204</u>
Fund balances:					
Reserved for encumbrances	-	115	-	-	14,472
Reserved for inventory	-	-	-	-	35,274
Unreserved; undesignated (deficit)	<u>22,188</u>	<u>4,827</u>	<u>3,789</u>	<u>1,490</u>	<u>(133,395)</u>
Total fund balances (deficit)	<u>22,188</u>	<u>4,942</u>	<u>3,789</u>	<u>1,490</u>	<u>(83,649)</u>
Total liabilities and fund balances	<u>\$ 24,234</u>	<u>\$ 6,033</u>	<u>\$ 3,789</u>	<u>\$ 1,490</u>	<u>\$ 780,555</u>

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City Of Bedford Heights, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Special Revenue Funds

For the Year Ended December 31, 2003

	State Highway <u>Improvement</u>	Street Maintenance & <u>Repair</u>	Safety Department <u>Equipment</u>	Community Development <u>Block Grant</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	34,404	510,406	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	46,766	20,000	156,598
Total revenues	<u>34,404</u>	<u>557,172</u>	<u>20,000</u>	<u>156,598</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property	-	-	-	-
Community development	-	-	-	233,514
Basic utility	-	-	-	-
Transportation	56,944	739,840	-	-
Capital outlay	-	-	8,581	-
Total expenditures	<u>56,944</u>	<u>739,840</u>	<u>8,581</u>	<u>233,514</u>
Excess of revenues (under) expenditures	<u>(22,540)</u>	<u>(182,668)</u>	<u>11,419</u>	<u>(76,916)</u>
Other financing sources (uses):				
Inception of capital lease	-	62,950	-	-
Operating transfers - in	-	165,000	-	90,000
Total other financing sources (uses)	<u>-</u>	<u>227,950</u>	<u>-</u>	<u>90,000</u>
Net change in fund balances	(22,540)	45,282	11,419	13,084
Fund balance (deficit) at beginning of year	<u>53,101</u>	<u>(11,058)</u>	<u>20,299</u>	<u>4,235</u>
Fund balance (deficit) at end of year	\$ <u>30,561</u>	\$ <u>34,224</u>	\$ <u>31,718</u>	\$ <u>17,319</u>

<u>Police Pension</u>	<u>Fire Pension</u>	<u>Law Enforcement Trust</u>	<u>DUI Enforcement & Education</u>	<u>Ambulance Service</u>	<u>Litter Control Grant</u>
\$ 90,831	\$ 90,831	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	99,191	-
-	-	-	7,499	-	-
-	-	-	-	380	-
-	-	3,838	-	-	-
<u>90,831</u>	<u>90,831</u>	<u>3,838</u>	<u>7,499</u>	<u>99,571</u>	<u>-</u>
455,900	432,762	3,750	388	178,041	-
-	-	-	-	-	-
-	-	-	-	-	60
-	-	-	-	-	-
-	-	7,232	629	27,517	-
<u>455,900</u>	<u>432,762</u>	<u>10,982</u>	<u>1,017</u>	<u>205,558</u>	<u>60</u>
<u>(365,069)</u>	<u>(341,931)</u>	<u>(7,144)</u>	<u>6,482</u>	<u>(105,987)</u>	<u>(60)</u>
-	-	-	-	-	-
<u>300,000</u>	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>300,000</u>	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(65,069)	(51,931)	(7,144)	6,482	(105,987)	(60)
<u>(61,080)</u>	<u>(89,135)</u>	<u>28,296</u>	<u>11,999</u>	<u>94,532</u>	<u>9,217</u>
\$ <u>(126,149)</u>	\$ <u>(141,066)</u>	\$ <u>21,152</u>	\$ <u>18,481</u>	\$ <u>(11,455)</u>	\$ <u>9,157</u>

(continued)

City Of Bedford Heights, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Special Revenue Funds (Continued)

For the Year Ended December 31, 2003

	<u>COPS</u>	<u>Commissary</u>	<u>Mayor's Court Computer</u>	<u>Local Law Enforcement Grant</u>	<u>Total Non-Major Special Revenue Funds</u>
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 181,662
Intergovernmental	36,655	-	-	-	581,465
Licenses and permits	-	-	-	-	99,191
Fines and forfeitures	-	-	4,400	-	11,899
Investment income	-	-	-	-	380
Miscellaneous income	85	71,472	-	-	298,759
Total revenues	<u>36,740</u>	<u>71,472</u>	<u>4,400</u>	<u>-</u>	<u>1,173,356</u>
Expenditures:					
Current operations and maintenance:					
Security of persons and property	44,031	67,620	-	(51,645)	1,130,847
Community development	-	-	-	-	233,514
Basic utility	-	-	-	-	60
Transportation	-	-	-	-	796,784
Capital outlay	-	-	6,672	62,821	113,452
Total expenditures	<u>44,031</u>	<u>67,620</u>	<u>6,672</u>	<u>11,176</u>	<u>2,274,657</u>
Excess of revenues (under) expenditures	<u>(7,291)</u>	<u>3,852</u>	<u>(2,272)</u>	<u>(11,176)</u>	<u>(1,101,301)</u>
Other financing sources (uses):					
Inception of capital lease	-	-	-	-	62,950
Transfers - in	20,000	-	-	-	865,000
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>927,950</u>
Net change in fund balances	12,709	3,852	(2,272)	(11,176)	(173,351)
Fund balance (deficit) at beginning of year	<u>9,479</u>	<u>1,090</u>	<u>6,061</u>	<u>12,666</u>	<u>89,702</u>
Fund balance (deficit) at end of year	\$ <u>22,188</u>	\$ <u>4,942</u>	\$ <u>3,789</u>	\$ <u>1,490</u>	\$ <u>(83,649)</u>

City of Bedford Heights, Ohio

Agency Funds

Glenwillow Sanitary Sewer Maintenance and Repair Fund

To account for proceeds from Glenwillow Sewer user fees collected and used for maintenance and repair of Glenwillow Sanitary Sewers that are tied into the City of Bedford Heights' Waste Water System.

Mayor's Court Fund

To account for the collection and distribution of court fines and forfeitures.

City of Bedford Heights, Ohio

Combining Statement of Assets and Liabilities – All Agency Funds

December 31, 2003

	<u>Glenwillow Sanitary Sewer Maintenance and Repair</u>	<u>Mayor's Court</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ <u>172</u>	\$ <u>4,403</u>	\$ <u>4,575</u>
Liabilities:			
Due to other governments	\$ 172	\$ 499	\$ 671
Due to others	<u>-</u>	<u>3,904</u>	<u>3,904</u>
Total liabilities	\$ <u>172</u>	\$ <u>4,403</u>	\$ <u>4,575</u>

City of Bedford Heights, Ohio

Combining Statement of Changes in Assets and Liabilities – All Agency Funds

For The Year Ended December 31, 2003

	Balance January 1, <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2003</u>
Glenwillow sanitary sewer maintenance and repair fund				
Assets:				
Cash and cash equivalents	\$ <u>1,195</u>	\$ <u>8,380</u>	\$ <u>9,505</u>	\$ <u>172</u>
Liabilities:				
Due to other governments	\$ <u>1,195</u>	\$ <u>8,380</u>	\$ <u>9,505</u>	\$ <u>172</u>
Mayor's court fund				
Assets:				
Cash and cash equivalents	\$ <u>16,927</u>	\$ <u>267,058</u>	\$ <u>270,715</u>	\$ <u>4,403</u>
Liabilities:				
Due to other governments	\$ 3,131	\$ 16,310	\$ 17,840	\$ 499
Due to others	<u>13,796</u>	<u>250,748</u>	<u>252,875</u>	<u>3,904</u>
Total liabilities	\$ <u>16,927</u>	\$ <u>267,058</u>	\$ <u>270,715</u>	\$ <u>4,403</u>
Total all agency funds				
Assets:				
Cash and cash equivalents	\$ <u>18,122</u>	\$ <u>275,438</u>	\$ <u>280,220</u>	\$ <u>4,575</u>
Liabilities:				
Due to other governments	\$ 4,326	\$ 24,690	\$ 27,345	\$ 671
Due to others	<u>13,796</u>	<u>250,748</u>	<u>252,875</u>	<u>3,904</u>
Total liabilities	\$ <u>18,122</u>	\$ <u>275,438</u>	\$ <u>280,220</u>	\$ <u>4,575</u>

**Individual Fund
Schedules of Revenues, Expenditures/Expense and
Changes in Fund Balances/Equity -
Budget (Non – GAAP Basis) and Actual**

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,712,260	\$ 1,770,000	\$ 1,749,454	\$ (20,546)
Municipal income taxes	8,095,350	8,500,000	8,475,665	(24,335)
Other local taxes	45,000	35,000	31,455	(3,545)
Intergovernmental	662,885	754,250	730,309	(23,941)
Charges for services	2,340,270	2,312,007	2,243,745	(68,262)
Licenses and permits	159,657	191,400	190,665	(735)
Fines and forfeitures	154,000	155,000	152,863	(2,137)
Investment income	-	-	1,519	1,519
Miscellaneous income	255,395	272,250	265,010	(7,240)
Total revenues	<u>13,424,817</u>	<u>13,989,907</u>	<u>13,840,685</u>	<u>(149,222)</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Police law enforcement				
Personal service	2,517,567	2,504,160	2,490,122	14,038
Travel and education	33,500	42,500	40,437	2,063
Contractual services	107,300	101,800	98,298	3,502
Supplies and materials	121,800	128,700	126,980	1,720
Other expenditures	500	1,500	1,264	236
Total police law enforcement	<u>2,780,667</u>	<u>2,778,660</u>	<u>2,757,101</u>	<u>21,559</u>
Corrections facility				
Personal service	1,321,857	1,387,430	1,383,701	3,729
Travel and education	4,500	1,900	1,005	895
Contractual services	346,000	378,000	372,335	5,665
Supplies and materials	52,800	52,600	50,229	2,371
Total corrections facility	<u>1,725,157</u>	<u>1,819,930</u>	<u>1,807,270</u>	<u>12,660</u>
Police and fire communications				
Personal service	415,959	402,735	398,695	4,040
Travel and education	1400	1,300	811	489
Contractual services	-	150	136	14
Supplies and materials	700	-	-	-
Total police and fire communications	<u>418,059</u>	<u>404,185</u>	<u>399,642</u>	<u>4,543</u>
Animal control				
Contractual services	<u>28,000</u>	<u>26,550</u>	<u>26,550</u>	<u>-</u>

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund (Continued)

For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Safety director				
Personal service	<u>105,532</u>	<u>105,858</u>	<u>105,041</u>	<u>817</u>
Street lighting				
Contractual services	<u>74,000</u>	<u>73,000</u>	<u>71,733</u>	<u>1,267</u>
Traffic lights				
Personal service	31,244	26,575	25,544	1,031
Supplies and materials	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total traffic lights	<u>31,744</u>	<u>26,575</u>	<u>25,544</u>	<u>1,031</u>
Total security of persons and property	<u>5,163,159</u>	<u>5,234,758</u>	<u>5,192,881</u>	<u>41,877</u>
Public health and welfare				
Assistance to the needy and aged				
Personal service	146,719	139,116	136,569	2,547
Travel and education	1,900	400	305	95
Contractual services	184,700	191,600	189,257	2,343
Supplies and materials	<u>20,100</u>	<u>20,400</u>	<u>19,082</u>	<u>1,318</u>
Total assistance to the needy and aged	<u>353,419</u>	<u>351,516</u>	<u>345,213</u>	<u>6,303</u>
County health board				
Contractual services	<u>35,263</u>	<u>35,263</u>	<u>35,263</u>	<u>-</u>
Total public health and welfare	<u>388,682</u>	<u>386,779</u>	<u>380,476</u>	<u>6,303</u>
Leisure time activities				
Swimming facilities				
Personal service	72,924	72,534	72,040	494
Contractual services	17,300	20,250	17,755	2,495
Supplies and materials	35,600	31,050	29,710	1,340
Other expenditures	<u>1,900</u>	<u>1,050</u>	<u>1,014</u>	<u>36</u>
Total swimming facilities	<u>127,724</u>	<u>124,884</u>	<u>120,519</u>	<u>4,365</u>
Community center				
Personal service	552,722	586,310	578,091	8,219
Travel and education	3,000	1,250	1,031	219
Contractual services	171,200	181,550	173,831	7,719
Supplies and materials	95,700	93,000	89,465	3,535
Other expenditures	<u>31,900</u>	<u>26,000</u>	<u>21,681</u>	<u>4,319</u>
Total community center	<u>854,522</u>	<u>888,110</u>	<u>864,099</u>	<u>24,011</u>

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund (Continued)

For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and playgrounds				
Contractual services	41,000	68,350	63,520	4,830
Supplies and materials	14,800	12,450	12,204	246
Total parks and playgrounds	<u>55,800</u>	<u>80,800</u>	<u>75,724</u>	<u>5,076</u>
Public recreation				
Personal service	149,501	173,162	170,917	2,245
Travel and education	2,300	600	453	147
Contractual services	42,700	34,975	34,867	108
Supplies and materials	47,050	42,950	41,594	1,356
Other expenditures	400	1,535	1,499	36
Total public recreation	<u>241,951</u>	<u>253,222</u>	<u>249,330</u>	<u>3,892</u>
Total leisure time activities	<u>1,279,997</u>	<u>1,347,016</u>	<u>1,309,672</u>	<u>37,344</u>
Community development				
Building department				
Personal service	351,245	352,850	352,017	833
Travel and education	1,500	900	900	-
Contractual services	18,800	15,900	15,464	436
Supplies and materials	11,000	12,500	12,267	233
Total building department	<u>382,545</u>	<u>382,150</u>	<u>380,648</u>	<u>1,502</u>
Planning commission				
Personal service	8,346	8,578	8,510	68
Supplies and materials	400	-	-	-
Total planning commission	<u>8,746</u>	<u>8,578</u>	<u>8,510</u>	<u>68</u>
Housing department				
Personal service	44,135	44,460	44,016	444
Travel and education	275	135	115	20
Supplies and materials	1,125	975	727	248
Total housing department	<u>45,535</u>	<u>45,570</u>	<u>44,858</u>	<u>712</u>
Board of zoning appeals				
Personal service	10,618	10,589	10,383	206
Travel and education	300	-	-	-
Supplies and materials	300	-	-	-
Total board of zoning appeals	<u>11,218</u>	<u>10,589</u>	<u>10,383</u>	<u>206</u>
Total community development	<u>448,044</u>	<u>446,887</u>	<u>444,399</u>	<u>2,488</u>

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund (Continued)

For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Basic utility services				
Service director				
Personal service	116,066	114,255	113,657	598
Travel and education	5,300	5,350	4,943	407
Contractual services	750	1,000	930	70
Supplies and materials	<u>1,200</u>	<u>50</u>	<u>35</u>	<u>15</u>
Total service director	<u>123,316</u>	<u>120,655</u>	<u>119,565</u>	<u>1,090</u>
Sanitary sewers and sewage disposal				
Personal service	119,580	102,360	101,439	921
Contractual services	3,000	1,900	1,755	145
Supplies and materials	<u>9,500</u>	<u>8,000</u>	<u>6,844</u>	<u>1,156</u>
Total sanitary sewers and sewage disposal	<u>132,080</u>	<u>112,260</u>	<u>110,038</u>	<u>2,222</u>
Storm sewers and drains				
Personal services	30,043	15,945	13,350	2,595
Travel and education	800	200	200	-
Contractual services	8,000	11,000	11,000	-
Supplies and materials	<u>6,700</u>	<u>1,500</u>	<u>1,190</u>	<u>310</u>
Total storm sewers and drains	<u>45,543</u>	<u>28,645</u>	<u>25,740</u>	<u>2,905</u>
Refuse collection and disposal				
Contractual services	<u>298,300</u>	<u>279,800</u>	<u>273,103</u>	<u>6,697</u>
Total basic utility services	<u>599,239</u>	<u>541,360</u>	<u>528,446</u>	<u>12,914</u>
Transportation				
Sidewalks				
Personal services	11,168	14,470	14,188	282
Supplies and materials	<u>7,000</u>	<u>5,400</u>	<u>5,336</u>	<u>64</u>
Total sidewalks	<u>18,168</u>	<u>19,870</u>	<u>19,524</u>	<u>346</u>
Total transportation	<u>18,168</u>	<u>19,870</u>	<u>19,524</u>	<u>346</u>
General government				
Mayor's court				
Personal service	118,615	118,401	117,640	761
Contractual services	145,600	126,200	120,982	5,218
Supplies and materials	300	25	25	-
Travel and education	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total mayor's court	<u>264,815</u>	<u>244,626</u>	<u>238,647</u>	<u>5,979</u>

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund (Continued)

For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Civil service commission				
Personal service	7,463	7,465	7,451	14
Travel and education	1,200	100	62	38
Contractual services	9,500	14,000	11,849	2,151
Supplies and materials	400	300	125	175
Total civil service commission	<u>18,563</u>	<u>21,865</u>	<u>19,487</u>	<u>2,378</u>
Mayor's office				
Personal service	144,697	143,340	142,798	542
Travel and education	3,900	5,860	5,860	-
Contractual services	7,300	5,700	5,700	-
Supplies and materials	15,500	12,700	11,561	1,139
Total mayor's office	<u>171,397</u>	<u>167,600</u>	<u>165,919</u>	<u>1,681</u>
Legal administration				
Personal service	258,884	275,395	274,287	1,108
Travel and education	2,600	1,400	1,173	227
Supplies and materials	5,500	7,700	7,699	1
Contractual services	20,000	21,900	21,568	332
Total legal administration	<u>286,984</u>	<u>306,395</u>	<u>304,727</u>	<u>1,668</u>
Finance administration				
Personal service	328,418	322,940	321,488	1,452
Travel and education	8,800	10,700	9,707	993
Contractual services	35,900	24,650	24,391	259
Supplies and materials	6,300	7,550	7,034	516
Total finance administration	<u>379,418</u>	<u>365,840</u>	<u>362,620</u>	<u>3,220</u>
Legislative activities				
Personal service	253,096	247,530	247,530	-
Travel and education	13,600	16,500	16,500	-
Contractual services	18,000	14,600	14,524	76
Supplies and materials	5,500	5,650	5,650	-
Total legislative activities	<u>290,196</u>	<u>284,280</u>	<u>284,204</u>	<u>76</u>
Labor relations				
Personal service	27,433	27,640	27,413	227
Contractual services	58,000	68,400	67,017	1,383
Supplies and materials	-	100	94	6
Total labor relations	<u>85,433</u>	<u>96,140</u>	<u>94,524</u>	<u>1,616</u>

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

General Fund (Continued)

For The Year Ended December 31, 2003

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Engineering				
Personal service	47,704	47,813	47,715	98
Supplies and materials	300	300	300	-
Total engineering	<u>48,004</u>	<u>48,113</u>	<u>48,015</u>	<u>98</u>
Land and buildings				
Personal service	853,229	846,340	842,380	3,960
Contractual services	465,200	457,200	452,743	4,457
Supplies and materials	103,000	95,000	92,379	2,621
Total land and buildings	<u>1,421,429</u>	<u>1,398,540</u>	<u>1,387,502</u>	<u>11,038</u>
Tax Department				
Contractual services	<u>267,050</u>	<u>274,650</u>	<u>269,832</u>	<u>4,818</u>
Other general government				
Personal service	177,000	163,465	161,568	1,897
Travel and education	6,300	8,500	7,340	1,160
Contractual services	169,600	143,801	140,410	3,391
Supplies and materials	23,500	38,450	38,215	235
Other expenditures	49,000	33,800	33,647	153
Total other general government	<u>425,400</u>	<u>388,016</u>	<u>381,180</u>	<u>6,836</u>
Total general government	<u>3,658,689</u>	<u>3,596,065</u>	<u>3,556,657</u>	<u>39,408</u>
Capital outlay				
Miscellaneous equipment	<u>130,400</u>	<u>95,800</u>	<u>76,573</u>	<u>19,227</u>
Total expenditures	<u>11,686,378</u>	<u>11,668,535</u>	<u>11,508,628</u>	<u>159,907</u>
Excess of revenues over expenditures	<u>1,738,439</u>	<u>2,321,372</u>	<u>2,332,057</u>	<u>10,685</u>
Other financing sources (uses)				
Proceeds from sale of equipment	-	19,000	18,909	(91)
Transfers – out	<u>(2,276,960)</u>	<u>(2,301,960)</u>	<u>(2,301,960)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,276,960)</u>	<u>(2,282,960)</u>	<u>(2,283,051)</u>	<u>(91)</u>
Net change in fund balance	(538,521)	38,412	49,006	10,594
Fund balance at beginning of year	2,343,276	2,343,276	2,343,276	-
Encumbrances at end of year	<u>22,273</u>	<u>22,273</u>	<u>22,273</u>	<u>-</u>
Fund balance at end of year	\$ <u>1,827,028</u>	\$ <u>2,403,961</u>	\$ <u>2,414,555</u>	\$ <u>10,594</u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Fire Levy Fund

For the Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 901,189	\$ 903,888	\$ 908,308	\$ 4,420
Miscellaneous income	<u>18,500</u>	<u>27,700</u>	<u>25,978</u>	<u>(1,722)</u>
Total revenues	<u>919,689</u>	<u>931,588</u>	<u>934,286</u>	<u>2,698</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Fire fighting, prevention and inspection				
Personal service	2,149,505	2,192,850	2,185,449	7,401
Travel and education	13,500	9,900	8,212	1,688
Supplies and materials	72,400	79,000	76,981	2,019
Contractual services	<u>23,400</u>	<u>14,600</u>	<u>13,988</u>	<u>612</u>
Total security of persons and property	<u>2,258,805</u>	<u>2,296,350</u>	<u>2,284,630</u>	<u>11,720</u>
Capital outlay	<u>17,500</u>	<u>19,500</u>	<u>19,198</u>	<u>302</u>
Total expenditures	<u>2,276,305</u>	<u>2,315,850</u>	<u>2,303,828</u>	<u>12,022</u>
Excess of revenues under expenditures	<u>(1,356,616)</u>	<u>(1,384,262)</u>	<u>(1,369,542)</u>	<u>14,719</u>
Other financing sources (uses):				
Proceeds from sale of equipment	-	-	2,195	2,195
Transfers – in	<u>1,310,000</u>	<u>1,340,000</u>	<u>1,340,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,310,000</u>	<u>1,340,000</u>	<u>1,342,195</u>	<u>2,195</u>
Net change in fund balance	(46,616)	(44,262)	(27,347)	16,915
Fund balance at beginning of year	49,379	49,379	49,379	
Encumbrances at end of year	<u>2,307</u>	<u>2,307</u>	<u>2,307</u>	<u>-</u>
Fund balance at end of year	\$ <u>5,070</u>	\$ <u>7,424</u>	\$ <u>24,339</u>	\$ <u>16,915</u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Capital Improvements Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 574,916	\$ 596,000	\$ 605,538	\$ 9,538
Intergovernmental	200,000	550,000	385,824	(164,176)
Licenses and permits	131,000	157,100	155,677	(1,423)
Investment income	72,500	51,000	41,995	(9,005)
Miscellaneous income	-	-	500	500
Total revenues	<u>978,416</u>	<u>1,354,100</u>	<u>1,189,534</u>	<u>(164,566)</u>
Expenditures:				
Current operations and maintenance:				
Transportation				
Street, construction, maintenance and repair				
Contractual services	<u>784,000</u>	<u>739,000</u>	<u>697,774</u>	<u>41,226</u>
General government				
Land and buildings				
Contractual services	<u>215,000</u>	<u>135,000</u>	<u>119,336</u>	<u>15,664</u>
Capital outlay				
Street paving and repair	95,000	71,000	60,217	10,783
Miscellaneous equipment	25,000	17,500	13,679	3,821
Transportation	-	902,000	791,237	110,763
Total capital outlay	<u>120,000</u>	<u>990,500</u>	<u>865,133</u>	<u>125,367</u>
Debt service:				
Principal retirement	1,120,000	1,120,000	1,120,000	-
Interest and fiscal charges	<u>29,120</u>	<u>36,220</u>	<u>36,135</u>	<u>85</u>
Total expenditures	<u>2,268,120</u>	<u>3,020,720</u>	<u>2,838,378</u>	<u>182,342</u>
Excess of revenues over (under) expenditures	<u>(1,289,704)</u>	<u>(1,666,620)</u>	<u>(1,648,844)</u>	<u>17,776</u>
Other financing sources (uses):				
Proceeds from the sale of notes	1,030,000	2,850,000	2,850,000	-
Transfers – in	30,000	30,000	30,000	-
Transfers – out	<u>(30,000)</u>	<u>(130,000)</u>	<u>(120,000)</u>	<u>10,000</u>
Total other financing sources (uses)	<u>1,030,000</u>	<u>2,750,000</u>	<u>2,760,000</u>	<u>10,000</u>
Net change in fund balance	(259,704)	1,083,380	1,111,156	27,776
Fund balance at beginning of year	432,459	432,459	432,459	-
Encumbrances at end of year	<u>31,572</u>	<u>31,572</u>	<u>31,572</u>	<u>-</u>
Fund balance at end of year	\$ <u>204,327</u>	\$ <u>1,547,411</u>	\$ <u>1,575,187</u>	\$ <u>27,776</u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Sewer Treatment Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 2,114,400	\$ 2,519,400	\$ 2,459,064	\$ (60,336)
Licenses and permits	51,000	61,000	51,000	(10,000)
Miscellaneous income	8,000	11,200	10,533	(667)
Investment income	-	200	206	6
Total revenues	<u>2,173,400</u>	<u>2,591,800</u>	<u>2,520,803</u>	<u>(70,997)</u>
Expenses:				
Current operations and maintenance:				
Personal services	1,419,781	1,483,295	1,458,181	25,114
Travel and education	15,250	13,850	9,307	4,543
Contractual services	668,000	668,600	624,945	43,655
Supplies and materials	140,400	158,750	138,296	20,454
Debt service:				
Principal	435,000	445,000	445,000	-
Interest and fiscal charges	80,515	73,500	72,096	1,404
Total expenses	<u>2,758,946</u>	<u>2,842,995</u>	<u>2,747,825</u>	<u>95,170</u>
Excess of revenues under expenses	<u>(585,546)</u>	<u>(251,195)</u>	<u>(227,022)</u>	<u>24,373</u>
Other financing sources (uses):				
Proceeds from sale of debt	240,000	240,000	240,000	-
Proceeds from sale of equipment	-	2,000	1,980	(20)
Total other financing sources	<u>240,000</u>	<u>242,000</u>	<u>241,980</u>	<u>(20)</u>
Net change in fund balance	(345,546)	(9,195)	14,958	24,153
Fund balance at beginning of year	525,999	525,999	525,999	-
Encumbrances at end of year	<u>9,698</u>	<u>9,698</u>	<u>9,698</u>	<u>-</u>
Fund balance at end of year	\$ <u>190,151</u>	\$ <u>526,502</u>	\$ <u>550,655</u>	\$ <u>24,153</u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

State Highway Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 33,000	\$ 33,500	\$ 33,826	\$ 326
Expenditures:				
Current operations and maintenance:				
Transportation				
Traffic control				
Personal services -				
Contractual services	5,000	26,000	21,709	4,291
Supplies and materials	-	3,500	3,176	324
Total traffic control	5,000	29,500	24,885	4,615
Street construction, maintenance and repair				
Contractual services	62,000	20,000	11,279	8,721
Snow and ice removal				
Supplies and materials	10,000	15,000	14,766	234
Total transportation	77,000	64,500	50,930	13,570
Net change in fund balance	(44,000)	(31,000)	(17,104)	13,896
Fund balance at beginning of year	53,825	53,825	53,825	-
Fund balance at end of year	\$ 9,825	\$ 22,825	\$ 36,721	\$ 13,896

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Street Construction Maintenance and Repair Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 498,000	\$ 510,000	\$ 502,328	\$ (7,672)
Miscellaneous income	26,000	48,000	46,766	(1,234)
Total revenues	<u>524,000</u>	<u>558,000</u>	<u>549,094</u>	<u>(8,906)</u>
Expenditures:				
Current operations and maintenance:				
Transportation				
Traffic control				
Personal services	60,218	57,120	54,591	2,529
Contractual services	32,500	33,000	31,278	1,722
Supplies and materials	6,900	7,400	7,330	70
Total traffic control	<u>99,618</u>	<u>97,520</u>	<u>93,199</u>	<u>4,321</u>
Street construction, maintenance and repair				
Personal services	295,639	248,175	230,732	17,443
Contractual services	101,900	97,900	92,663	5,237
Supplies and materials	52,000	65,500	56,842	8,658
Total street construction, maintenance and repair	<u>449,539</u>	<u>411,575</u>	<u>380,237</u>	<u>31,338</u>
Snow and ice removal				
Personal services	88,964	99,448	95,187	4,261
Contractual services	12,000	13,500	11,359	2,141
Supplies and materials	103,000	153,500	151,368	2,132
Total snow and ice removal	<u>203,964</u>	<u>266,448</u>	<u>257,914</u>	<u>8,534</u>
Total transportation	<u>753,121</u>	<u>775,543</u>	<u>731,350</u>	<u>44,194</u>
Excess of revenues under expenditures	(229,121)	(217,543)	(182,256)	35,288
Other financing sources (uses):				
Transfers – in	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>-</u>
Net change in fund balance	(64,121)	(52,543)	(17,256)	35,288
Fund balance at beginning of year	72,004	72,004	72,004	
Encumbrances at end of year	<u>3,073</u>	<u>3,073</u>	<u>3,073</u>	<u>-</u>
Fund balance at end of year	\$ <u>10,956</u>	\$ <u>22,534</u>	\$ <u>57,821</u>	\$ <u>35,287</u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Safety Department Equipment Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income				
Miscellaneous income	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Expenditures:				
Capital outlay	30,000	10,000	8,580	1,420
Net change in fund balance	(10,000)	10,000	11,420	1,420
Fund balance at beginning of year	20,298	20,298	20,298	-
Fund balance at end of year	\$ 10,298	\$ 30,298	\$ 31,718	\$ 1,420

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Community Development Block Grant Fund

For The Year Ended December 31, 2003

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - miscellaneous	\$ <u>50,000</u>	\$ <u>240,000</u>	\$ <u>134,666</u>	\$ <u>(105,334)</u>
Expenditures:				
Current operations and maintenance:				
Community development				
Contractual services	<u>54,000</u>	<u>242,500</u>	<u>229,593</u>	<u>12,907</u>
Excess of revenues under expenditures	(4,000)	(2,500)	(94,927)	(92,427)
Other financing sources (uses):				
Transfers – in	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Net change in fund balance	(4,000)	(2,500)	(4,927)	(2,427)
Fund balance at beginning of year	4,235	4,235	4,235	-
Encumbrances at end of year	<u>2,341</u>	<u>2,341</u>	<u>2,341</u>	
Fund balance at end of year	\$ <u>2,576</u>	\$ <u>4,076</u>	\$ <u>1,649</u>	\$ <u>(2,427)</u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Police Pension Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 90,119	\$ 91,589	\$ 90,831	\$ (758)
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Police law enforcement				
Personal service	415,000	412,700	412,555	145
Excess of revenues under expenditures	(324,881)	(321,111)	(321,724)	(613)
Other financing sources (uses):				
Transfers – in	305,000	300,000	300,000	-
Net change in fund balances	(19,881)	(21,111)	(21,724)	(613)
Fund balance at beginning of year	32,677	32,677	32,677	-
Fund balance at end of year	\$ 12,796	\$ 11,566	\$ 10,953	\$ (613)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Fire Pension Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 90,119	\$ 91,589	\$ 90,831	\$ (758)
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Fire fighting, prevention and Inspection				
Personal service	400,000	426,000	424,961	1,039
Excess of revenues under expenditures	(309,881)	(334,411)	(334,130)	281
Other financing sources (uses):				
Transfers – in	290,000	290,000	290,000	-
Net change in fund balance	(19,881)	(44,411)	(44,130)	281
Fund balance at beginning of year	44,800	44,800	44,800	-
Fund balance at end of year	\$ 24,919	\$ 389	\$ 670	\$ 281

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Law Enforcement Trust Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous income	\$ <u>3,800</u>	\$ <u>3,800</u>	\$ <u>3,838</u>	\$ <u>38</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Police law enforcement				
Contractual services	7,500	4,000	3,750	250
Capital outlay	<u>20,026</u>	<u>15,000</u>	<u>9,032</u>	<u>5,968</u>
Total expenditures	<u>27,526</u>	<u>19,000</u>	<u>12,782</u>	<u>6,218</u>
Net change in fund balance	(23,726)	(15,200)	(8,944)	6,256
Fund balance at beginning of year	28,296	28,296	28,296	-
Encumbrances at end of year	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	-
Fund balance at end of year	\$ <u><u>6,370</u></u>	\$ <u><u>14,896</u></u>	\$ <u><u>21,152</u></u>	\$ <u><u>6,256</u></u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

DUI Enforcement and Education Fund

For The Year Ended December 31, 2003

	<u>Budget</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ <u>2,500</u>	\$ <u>6,800</u>	\$ <u>7,499</u>	\$ <u>699</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Police law enforcement				
Travel and education	1,500	1,500	388	1,112
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>629</u>	<u>9,371</u>
Total expenditures	<u>11,500</u>	<u>11,500</u>	<u>1,017</u>	<u>10,483</u>
Net change in fund balance	(9,000)	(4,700)	6,482	11,182
Fund balance at beginning of year	<u>11,999</u>	<u>11,999</u>	<u>11,999</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>2,999</u></u>	\$ <u><u>7,299</u></u>	\$ <u><u>18,481</u></u>	\$ <u><u>11,182</u></u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Ambulance Service Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ 130,000	\$ 110,000	\$ 92,732	\$ (17,268)
Investment income	3,500	500	380	(120)
Total revenues	<u>133,500</u>	<u>110,500</u>	<u>93,112</u>	<u>(17,388)</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Police law enforcement				
Contractual services	183,500	183,500	177,729	5,771
Other expenditures	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total police law enforcement	184,500	183,500	177,729	5,771
Capital outlay	<u>40,000</u>	<u>38,000</u>	<u>27,516</u>	<u>10,484</u>
Total expenditures	<u>224,500</u>	<u>221,500</u>	<u>205,245</u>	<u>16,255</u>
Net change in fund balance	(91,000)	(111,000)	(112,133)	(1,133)
Fund balance at beginning of year	<u>136,295</u>	<u>136,295</u>	<u>136,295</u>	
Fund balance at end of year	\$ <u>45,295</u>	\$ <u>25,295</u>	\$ <u>24,162</u>	\$ <u>(1,133)</u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Litter Control Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 17,000	\$ 8,800	\$ 8,792	\$ (8)
Expenditures:				
Current operations and maintenance:				
Basic utilities services				
Refuse collection and disposal				
Contractual services	12,000	9,000	7,203	1,797
Net change in fund balance	5,000	(200)	1,589	1,789
Fund balance at beginning of year	425	425	425	-
Encumbrances at end of year	7,143	7,143	7,143	
Fund balance at end of year	\$ 12,568	\$ 7,368	\$ 9,157	\$ 1,789

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

COPS Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 26,557	\$ (8,443)
Miscellaneous income	-	-	85	85
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>26,642</u>	<u>(8,358)</u>
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Police law enforcement				
Personal service	48,400	44,081	41,986	2,095
Travel and education	1,500	500	-	500
Supplies and materials	2,100	2,100	-	2,100
Contractual services	<u>2,700</u>	<u>2,700</u>	<u>-</u>	<u>2,700</u>
Total security of persons and property	54,700	49,381	41,986	7,395
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total expenditures	<u>57,700</u>	<u>52,381</u>	<u>41,986</u>	<u>10,395</u>
Excess of revenues under expenditures	(22,700)	(17,381)	(15,344)	2,037
Other financing sources (uses):				
Transfers – in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balance	(2,700)	2,619	4,656	2,037
Fund balance at beginning of year	<u>9,480</u>	<u>9,480</u>	<u>9,480</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>6,780</u></u>	\$ <u><u>12,099</u></u>	\$ <u><u>14,136</u></u>	\$ <u><u>2,037</u></u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Commissary Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous income	\$ 75,000	\$ 75,000	\$ 71,472	\$ (3,528)
Expenditures:				
Current operations and maintenance:				
Security of persons and property				
Support of prisoners				
Miscellaneous	19,000	29,000	27,074	1,926
Supplies and materials	60,000	45,000	42,582	2,418
Total expenditures	79,000	74,000	69,656	4,344
Net change in fund balance	(4,000)	1,000	1,816	816
Fund balance at beginning of year	4,102	4,102	4,102	-
Encumbrances at end of year	115	115	115	-
Fund balance at end of year	\$ 217	\$ 5,217	\$ 6,033	\$ 816

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Mayor's Court Computer Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 6,500	\$ 5,500	\$ 4,400	\$ (1,100)
Expenditures:				
Current operations and maintenance:				
General government				
Mayor's court				
Contractual services	6,500	3,500	1,885	1,615
Capital outlay	20,000	23,000	20,343	2,657
Total expenditures	26,500	26,500	22,228	4,272
Net change in fund balance	(20,000)	(21,000)	(17,827)	3,172
Fund balance at beginning of year	21,616	21,616	21,616	-
Fund balance at end of year	\$ 1,616	\$ 616	\$ 3,789	\$ 3,172

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Local Law Enforcement Grant Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ <u>50,000</u>	\$ <u>50,700</u>	\$ <u>50,000</u>	\$ <u>(700)</u>
Expenditures:				
Capital outlay	<u>60,000</u>	<u>64,000</u>	<u>62,821</u>	<u>1,179</u>
Net change in fund balance	(10,000)	(13,300)	(12,821)	479
Fund balance at beginning of year	<u>14,311</u>	<u>14,311</u>	<u>14,311</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>4,311</u></u>	\$ <u><u>1,011</u></u>	\$ <u><u>1,490</u></u>	\$ <u><u>479</u></u>

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

Debt Service Fund

For The Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 510,673	\$ 512,669	\$ 514,707	\$ 2,038
Special assessments	15,000	30,000	29,888	(112)
Investment income	1,500	4,000	3,228	(772)
Total revenues	<u>527,173</u>	<u>546,669</u>	<u>547,823</u>	<u>1,154</u>
Expenditures:				
Debt service:				
Principal retirement	638,000	638,000	638,000	-
Interest and fiscal charges	<u>289,000</u>	<u>289,000</u>	<u>281,406</u>	<u>7,594</u>
Total expenditures	<u>927,000</u>	<u>927,000</u>	<u>919,406</u>	<u>7,594</u>
Excess of revenue under expenditures	<u>(399,827)</u>	<u>(380,331)</u>	<u>(371,583)</u>	<u>8,748</u>
Other financing sources (uses):				
Proceeds from sale of debt	250,000	250,000	250,000	-
Transfers – in	<u>186,960</u>	<u>186,960</u>	<u>186,960</u>	<u>-</u>
Total other financing sources (uses)	<u>436,960</u>	<u>436,960</u>	<u>436,960</u>	<u>-</u>
Net change in fund balance	37,133	56,629	65,377	8,748
Fund balance at beginning of year	<u>60,723</u>	<u>60,723</u>	<u>60,723</u>	<u>-</u>
Fund balance at end of year	\$ <u>97,856</u>	\$ <u>117,352</u>	\$ <u>126,100</u>	\$ <u>8,748</u>

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City of Bedford Heights, Ohio

General Governmental Expenditures by Program

December 31, 2003

Table 1

<u>Fiscal Year</u>	<u>Security of Persons and Property</u>	<u>Public Health and Welfare</u>	<u>Leisure Time Activities</u>	<u>Community Development</u>	<u>Basic Utility Services</u>	<u>Transportation</u>	<u>General Government</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1994	\$ 4,543,460	\$ 1,820,710	\$ 3,832,876	\$ 288,591	\$ 521,441	\$ 1,008,713	\$ 4,004,225	\$ 1,356,921	\$ 4,812,619	\$ 22,189,556
1995	4,409,041	2,564,965	977,639	270,793	658,566	1,095,509	4,301,229	941,322	6,362,134	21,581,198
1996	4,739,840	436,300	834,089	564,487	563,824	1,436,150	4,092,421	726,633	1,339,852	14,722,077
1997	5,144,585	319,492	988,268	387,383	477,459	1,043,380	3,047,498	1,365,268	1,197,010	13,970,343
1998	5,572,926	312,783	926,855	408,187	547,323	2,212,457	3,257,281	29,211	1,057,168	14,324,191
1999	6,572,585	344,962	1,016,682	417,625	557,543	1,796,990	3,507,026	934,360	857,931	16,005,704
2000	6,238,277	291,131	1,206,713	449,488	602,356	1,326,187	3,642,081	1,469,223	644,867	15,870,323
2001	6,292,833	368,465	1,266,381	480,879	632,132	1,059,464	3,959,028	1,741,834	677,935	16,478,951
2002	6,929,512	398,598	1,193,662	449,551	840,678	1,404,293	3,702,698	683,252	611,745	16,213,989
2003	8,676,087	353,262	1,236,545	675,173	510,549	1,267,914	3,495,726	1,290,015	674,765	18,180,036

All governmental fund types, modified accrual basis

City of Bedford Heights, Ohio

General Governmental Revenues by Source

December 31, 2003

Table 2

<u>Year</u>	<u>Taxes</u>	<u>Inter-Governmental</u>	<u>Charges For Services</u>	<u>Licenses And Permits</u>	<u>Fines And Forfeitures</u>	<u>Special Assessments</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>Total</u>
1994	\$ 10,358,105	\$ 1,890,559	\$ 92,517	\$ 131,099	\$ 148,390	\$ 425,900	\$ 287,179	\$ 511,171	\$ 13,844,920
1995	11,792,967	2,769,691	143,499	168,999	172,871	458,783	234,431	490,587	16,231,828
1996	11,774,969	1,252,098	161,016	196,206	201,243	428,178	142,096	963,154	15,118,960
1997	11,927,965	1,171,102	189,600	245,270	123,755	413,366	150,896	617,470	14,839,424
1998	11,722,631	1,544,997	181,265	342,361	151,385	412,292	212,218	905,479	15,472,628
1999	11,875,262	1,340,898	186,145	325,840	153,659	103,609	237,207	700,335	14,922,955
2000	10,929,762	1,331,276	180,479	430,601	187,329	106,370	317,823	622,575	14,106,215
2001	12,355,267	1,562,972	200,683	416,976	174,019	96,371	237,736	493,068	15,537,092
2002	12,035,373	1,617,799	213,785	686,402	161,017	30,238	96,895	464,980	15,306,489
2003	12,378,703	1,558,895	2,412,516	448,815	168,426	38,438	45,097	605,337	17,656,227

All governmental fund types, modified accrual basis

City of Bedford Heights, Ohio

General Governmental Tax Revenues by Source

December 31, 2003

Table 2-A

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Municipal Income Tax</u>	<u>Other Local Taxes</u>	<u>Total</u>
1994	\$ 2,451,650	\$ 7,850,190	\$ 56,265	\$ 10,358,105
1995	3,203,906	8,526,925	62,136	11,792,967
1996	3,729,932	7,967,528	77,509	11,774,969
1997	3,590,440	8,296,301	41,224	11,927,965
1998	3,160,109	8,524,195	38,327	11,722,631
1999	3,249,110	8,566,389	59,763	11,875,262
2000	1,988,567	8,877,355	63,840	10,929,762
2001	3,576,428	8,721,195	57,644	12,355,267
2002	3,542,764	8,444,839	47,770	12,035,373
2003	3,959,669	8,382,406	36,628	12,378,703

All governmental fund types, modified accrual basis

City of Bedford Heights, Ohio

Real Property Tax Levies and Collections

December 31, 2003

Table 3

Collection Year	Current Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections To Current Tax Levy	Current Delinquent Taxes	Accumulated Delinquent Taxes
1994	\$ 1,855,603	\$ 1,597,885	86.1%	\$ 40,860	\$ 1,638,745	0.883%	\$ 42,130	\$ 176,050
1995	2,163,810	2,125,107	98.2	59,694	2,184,801	1.010	28,033	144,317
1996	2,157,822	2,104,300	97.5	62,193	2,166,493	1.004	25,655	115,678
1997	2,300,792	2,109,717	91.7	65,391	2,175,108	.945	60,869	98,210
1998	2,393,420	2,207,537	92.2	51,154	2,258,691	.944	62,477	103,209
1999	2,438,661	2,171,380	89.0	53,763	2,225,143	.912	73,454	119,606
2000	2,453,976	2,130,698	86.8	71,091	2,201,789	.897	94,588	140,893
2001	2,641,971	2,444,198	92.5	99,375	2,543,573	.962	141,624	200,927
2002	2,671,676	2,448,976	91.7	143,103	2,592,079	.970	217,690	320,479
2003	3,003,452	2,764,967	92.1	200,005	2,964,972	.987	230,987	413,103

SOURCE: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Tangible Personal Property Tax Levies and Collections

December 31, 2003

Table 3-A

<u>Collection Year</u>	<u>Current Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections To Current Tax Levy</u>	<u>Current Delinquent Taxes</u>	<u>Accumulated Delinquent Taxes</u>
1994	\$ 885,248	\$ 812,308	91.8%	\$ 8,466	\$ 820,774	0.927	\$ 72,940	\$ 47,525
1995	992,331	967,913	97.5	28,571	996,484	1.004	24,418	64,370
1996	1,024,136	1,000,608	97.7	35,284	1,035,892	1.011	13,528	46,605
1997	991,649	917,307	92.5	199,471	1,116,778	1.126	13,266	27,857
1998	937,622	860,516	91.8	20,046	880,562	0.939	9,857	59,014
1999	972,992	879,886	90.4	61,075	940,961	0.967	5,686	32,191
2000	893,942	798,699	89.3	35,052	833,751	0.933	58,147	142,431
2001	930,491	886,368	95.2	140,578	1,026,946	1.000	44,188	57,885
2002	862,173	835,045	96.0	80,077	915,122	1.000	27,128	83,546
2003	989,804	964,198	97.4	4,029	968,227	0.970	25,606	40,805

SOURCE: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Assessed Valuations and Estimated True Values

December 31, 2003

Table 4

Collection Year	Real Property (1)		Personal Property (2)		Public Utility Property (3)		Total	
	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value	Assessed Value	Estimated True Value
1994	\$ 158,823,960	\$ 453,782,743	\$ 85,374,993	\$ 341,499,972	\$ 9,729,570	\$ 11,056,330	\$ 253,928,523	\$ 806,339,045
1995	171,234,630	489,241,800	82,145,761	328,583,044	9,638,720	10,953,091	263,019,111	828,777,935
1996	173,693,510	496,267,171	82,694,291	330,777,164	9,243,640	10,504,136	265,631,441	837,548,471
1997	171,962,370	491,321,057	84,511,322	338,045,288	9,467,090	10,758,057	265,940,782	840,124,402
1998	183,750,270	525,000,771	71,709,659	286,838,636	9,580,620	10,887,068	265,040,549	822,726,475
1999	185,126,960	528,934,172	73,797,724	295,190,896	8,787,920	9,986,273	267,712,604	834,111,341
2000	211,862,770	605,322,200	70,762,821	238,051,284	8,597,150	9,769,489	291,222,741	898,142,973
2001	215,690,920	619,116,914	78,483,159	313,932,636	6,940,000	7,886,363	301,114,079	940,935,913
2002	222,206,660	634,876,171	71,767,144	287,068,576	6,422,520	7,298,318	300,396,324	954,205,549
2003	236,562,720	675,893,486	76,452,960	332,404,173	6,661,320	7,569,682	319,677,000	1,015,867,341

(1) Total real property assessed value is 35% of estimated true value.

(2) Total personal property assessed value was 35% of estimated true value in 1983 and reduced annually thereafter, 1% until it became 25%.

(3) Total public utility property assessed value is 88% of estimated true value.

Source: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Property Tax Rates – Direct and Overlapping Governments

December 31, 2003

Table 5

Fiscal Year	Total City Millage	Total County Millage	Total Bedford School Millage	Total Orange School Millage	Total City, County and Bedford School	Total City, County and Orange School
1993	\$ 10.00	\$ 16.80	\$ 53.40	\$ 62.60	\$ 80.20	\$ 89.40
1994	12.00	16.80	53.10	62.60	81.90	91.40
1995	12.00	16.60	57.60	68.20	86.20	96.80
1996	12.00	16.60	57.60	68.20	86.20	96.80
1997	12.00	16.60	57.60	68.20	86.20	96.80
1998	12.00	13.75	57.70	71.50	83.45	97.25
1999	12.00	13.75	62.60	71.50	88.35	97.25
2000	12.00	14.65	62.50	81.10	92.10	(1) 110.70 (1)
2002	12.00	14.65	62.50	81.10	92.10	(1) 110.70 (1)
2003	13.00	14.65	62.50	81.10	93.10	(1) 111.70 (1)

(1) Includes Metropark and Library Millage of 1.55 and 1.40, respectively.

Source: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Principal Taxpayers – Real Property (1)

December 31, 2003

Table 6

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage Of Total Assessed Real Property</u>	<u>Percentage Of Total Assessed Valuation</u>
Riser Foods Company	\$ 7,417,410	3.14%	2.32%
Bear Creek Inv. Co.	6,148,750	2.60	1.92
Western, Inc.	3,577,460	1.51	1.12
Mayred Co.	3,565,230	1.51	1.12
Southgate Towers, LLC	3,434,940	1.45	1.07
South Pointe Towers LTD	3,264,420	1.38	1.02
JE & MT Corp.	2,598,230	1.10	0.81
Colson, William P.	2,162,090	0.91	0.68
Richmond Properties, Ltd.	1,879,150	0.79	0.59
Dandar Investment Co., LLC	<u>1,712,870</u>	<u>0.72</u>	<u>0.54</u>
	 \$ <u>35,760,550</u>	 <u>15.11%</u>	 <u>11.19%</u>
Total Real Property Assessed Valuation	\$ <u>236,562,720</u>		

Source: Cuyahoga County Auditor

(1) Excludes Public Utilities

City of Bedford Heights, Ohio

Principal Taxpayers – Personal Property (1)

December 31, 2003

Table 6-A

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage Of Total Assessed Personal Property</u>	<u>Percentage Of Total Assessed Valuation</u>
Riser Foods Company	\$ 8,667,060	11.34%	2.71%
Sysco Food Services, Inc.	4,662,520	6.10	1.46
Majestic Steel Services, Inc.	4,579,350	5.99	1.43
Olympic Steel, Inc.	4,222,750	5.52	1.32
AM Castle & Co.	4,141,680	5.42	1.30
Sherwin Williams Co.	3,313,450	4.33	1.04
Illinois Toolworks, Inc.	2,879,380	3.77	0.90
Earl M. Jorgenson Co.	2,085,820	2.73	0.65
South East Harley	1,923,550	2.52	0.60
Lowes Homes Center, Inc.	<u>1,788,030</u>	<u>2.34</u>	<u>0.56</u>
	\$ <u>38,263,590</u>	<u>50.06%</u>	<u>11.97%</u>
Total Personal Property Assessed Valuation	\$ <u>76,452,960</u>		

Source: Cuyahoga County Auditor

(1) Excludes Public Utilities

City of Bedford Heights, Ohio

Principal Taxpayers – Public Utility Property

December 31, 2003

Table 6-B

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage Of Total Assessed Real Property</u>	<u>Percentage Of Total Assessed Valuation</u>
Cleveland Electric Illuminating Co.	\$ 3,429,480	51.48%	1.07%
The Ohio Bell Telephone Company	<u>1,094,420</u>	<u>16.43</u>	<u>0.34</u>
	\$ <u>4,523,900</u>	<u>67.91%</u>	<u>1.41%</u>
Total Public Utility Property Assessed Valuation	\$ <u>6,661,320</u>		

Source: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Special Assessment Collections

December 31, 2003

Table 7

<u>Collection Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collected</u>	<u>Percent of Current Assessments Collected</u>	<u>Delinquent Assessments Collected</u>	<u>Total Special Assessments Collected</u>	<u>Ratio of Percent of Collections To Amount Billed</u>	<u>Current Delinquent Assessments</u>	<u>Accumulated Delinquent Taxes</u>
1994	\$ 505,534	\$ 386,261	76.4%	\$ 5,524	\$ 391,785	77.5%	\$ 16,262	\$ 178,912
1995	409,137	400,617	97.9	4,132	404,749	98.9	8,520	179,794
1996	408,187	402,192	98.5	5,060	407,252	99.8	5,994	133,836
1997	408,427	395,203	96.8	665	395,868	96.9	13,475	129,933
1998	407,800	400,429	98.2	7,655	408,084	100.1	7,371	134,126
1999	103,531	98,287	94.9	1,332	99,619	96.2	5,243	152,646
2000	103,531	99,263	95.9	5,159	104,422	100.9	4,268	77,339
2001	91,938	92,863	100.0	5,651	98,513	100.0	9,771	202,251
2002	27,367	25,120	92.0	3,276	28,396	103.0	2,247	204,412
2003	27,641	27,641	100.0	2,247	29,888	108.1	-	79,177

Source: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Ratio of Net General Obligation Debt to Assessed Value and Net Debt Per Capita

December 31, 2003

Table 8

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Debt</u>	<u>Ratio of Net Debt To Assessed Value</u>	<u>Net Debt Per Capita</u>
1994 (3)	12,131	\$ 253,928,523	\$ 10,855,000	\$ 153,848	\$ 10,701,152	4.21%	\$ 882.13
1995 (3)	12,131	263,019,111	10,237,500	357,774	9,879,726	3.76	814.42
1996 (3)	12,131	265,631,441	9,755,000	554,304	9,200,696	3.46	758.44
1997 (3)	12,131	265,940,782	8,832,500	611,063	8,221,437	3.10	677.73
1998 (3)	12,131	265,040,549	8,425,000	473,370	7,951,630	3.00	666.33
1999 (3)	12,131	267,712,604	8,135,000	366,698	7,768,302	2.90	640.37
2000 (3)	11,375	291,222,741	7,520,000	176,313	7,343,687	2.52	645.60
2001 (3)	11,375	301,114,079	8,265,000	81,197	8,183,803	2.72	719.45
2002 (3)	11,375	300,396,324	7,565,000	59,115	7,505,885	2.50	659.86
2003	11,375	319,677,000	8,715,000	132,195	8,582,805	2.68	754.53

(1) – Source: U.S. Census Bureau

(2) – Source: Cuyahoga County Auditor

(3) – Accrual Basis

City of Bedford Heights, Ohio

Legal Debt Margin

December 31, 2003

Table 9

Total Assessed Valuation		\$ <u>319,677,000</u>
Overall Debt Limitation – 10.5% of Assessed Valuation		\$ 33,566,085
Gross Indebtedness (Notes and Bonds)	\$ 8,751,000	
Less Debt Not Subject to Limitation	<u>(36,000)</u>	
Debt Within 10.5% Limitation	8,715,000	
Less: Amount Available in Debt Service Funds	<u>(132,195)</u>	
Net Debt Within 10.5% Limitation		<u>8,582,805</u>
Legal Debt Margin Within 10.5% Limitation		\$ <u>24,983,280</u>

Unvoted Debt Limitation – 5.5% of Assessed Valuation		\$ 17,582,235
Gross Indebtedness (Notes and Bonds)	\$ 8,751,000	
Less Debt Not Subject to Limitation	<u>(36,000)</u>	
Debt Within 5.5% Limitation	8,715,000	
Less: Amount Available in Debt Service Funds	<u>(132,195)</u>	
Net Debt Within 5.5% Limitation		<u>8,582,805</u>
Legal Debt Margin Within 5.5% Limitation		\$ <u>9,002,430</u>

City of Bedford Heights, Ohio

Computation of Direct and Overlapping Debt – General Obligation Debt

December 31, 2003

Table 10

<u>Jurisdiction</u>	<u>Net General Obligation Debt Outstanding (1)</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
<u>Direct:</u>			
City of Bedford Heights	\$ 7,322,805	100.0%	\$ 7,322,805
<u>Overlapping:</u>			
Cuyahoga County	200,162,636	1.05%	2,101,708
Regional Transit Authority	136,310,000	1.05%	1,431,255
Bedford School District	10,991,300	81.29%	8,934,828
Orange School District	<u>31,038,221</u>	18.71%	<u>5,807,251</u>
Total Overlapping Debt	<u>378,502,157</u>		<u>18,275,042</u>
Total	\$ <u>385,824,962</u>		\$ <u>25,597,847</u>

Source: Cuyahoga County Auditor

- (1) Net general obligation debt outstanding equals the amount of general obligation bonds and notes outstanding minus the debt service fund balance available to pay non-special assessment general obligation debt.

City of Bedford Heights, Ohio

Ratio of Annual Debt Service For General Bonded Debt to Total General Governmental Expenditures

December 31, 2003

Table 11

<u>Fiscal Year</u>	<u>(1) General Obligation Principal</u>	<u>General Obligation Interest</u>	<u>Debt Service On General Bonded Debt</u>	<u>(2) General Governmental Expenditures</u>	<u>Ratio</u>
1994	\$ 317,500	\$ 363,503	\$ 681,003	\$ 22,189,556	3.07%
1995	407,500	402,783	810,283	21,526,344	3.76%
1996	432,500	506,244	938,744	14,719,920	6.38%
1997	447,500	480,341	927,841	13,970,343	6.64%
1998	477,500	453,081	930,581	14,324,191	6.50%
1999	545,000	457,388	1,002,388	16,005,704	6.26%
2000	565,000	426,210	991,210	15,870,323	6.25%
2001	605,000	397,843	1,002,843	16,478,951	6.09%
2002	640,000	366,743	1,006,743	16,213,989	6.21%
2003	500,000	332,975	832,975	18,180,036	4.58%

Notes:

- (1) Does not include the rollover of principal due under bond anticipation notes. Debt service on general obligation bonds does not include debt service on special assessment bonds.
- (2) General government expenditures per Table 1.

City of Bedford Heights, Ohio

Demographic Statistics

December 31, 2003

Table 12

<u>Year</u>	<u>(1) Population</u>	<u>(2) Bedford School District Enrollment</u>	<u>(3) Cuyahoga County Unemployment Rate</u>
1994	12,131	4,020	4.4%
1995	12,131	4,104	4.7%
1996	12,131	3,903	4.8%
1997	12,131	4,004	4.1%
1998	12,131	4,151	4.9%
1999	12,131	4,060	4.6%
2000	11,375	4,049	4.6%
2001	11,375	3,992	6.8%
2002	11,375	3,860	6.6%
2003	11,375	3,826	6.2%

Sources:

- (1) U.S. Bureau of Census
- (2) Bedford Board of Education (Bedford, Bedford Heights, Oakwood and Walton Hills)
- (3) Ohio Bureau of Employment Services Division of Labor Market Information

City of Bedford Heights, Ohio

Construction, Bank Deposits and Assessed Property Values

December 31, 2003

Table 13

<u>Year</u>	<u>Residential Construction Values (1)</u>	<u>Commercial Industrial Construction Values (1)</u>	<u>Commercial Industrial Construction Units (1)</u>	<u>Domestic Bank Deposits In County (2)</u>	<u>(3) Total Assessed Real Property Value (4)</u>
1994	\$ 2,215,233	\$ 6,318,050	47	\$ 20,885,453	\$ 158,823,960
1995	3,941,940	7,218,802	25	22,694,304	171,234,630
1996	1,663,895	4,952,030	43	27,068,211	173,693,510
1997	1,390,511	6,534,335	53	53,941,971	171,962,370
1998	1,768,099	10,963,117	58	58,904,596	183,750,270
1999	2,670,519	4,211,516	42	57,816,942	185,126,960
2000	3,952,179	12,511,046	78	61,942,764	211,862,770
2001	3,921,400	5,322,846	28	63,893,769	215,690,920
2002	2,530,000	3,678,618	48	95,760,917	222,206,660
2003	3,997,783	3,506,000	53	97,911,285	236,562,720

Sources/Notes:

- (1) City of Bedford Heights Building Department
- (2) Federal Reserve Bank of Cleveland shown in thousands of dollars.
- (3) Cuyahoga County Auditor
- (4) Represents the real property values assessed for taxation which represents 35% of estimated true value

City of Bedford Heights, Ohio

Miscellaneous Statistics

December 31, 2003

Table 14

Date of Incorporation:	January 1, 1960	Fire Protection:	
Form of Government:	Mayor/Council	Number of Stations	1
Area:	4.5 sq. miles	Number of Fire Personnel and Officers	28
Miles of Street	42	Number of Calls Answered	1,640
		Number of Formal Inspections Conducted	249
		Police Protection:	
City Employees		Number of Stations	1
Number of Full-Time Employees	172	Number of Police Personnel and Officers	106
Number of Part-Time Employees	69	Number of Patrol Units	21
Culture and Recreation:		Number of Law Violations:	
Community Centers	1	Physical Arrests	728
Parks		Traffic Violations	3,642
Metroparks	7	Parking Violations	522
City Parks	2	Sewerage System:	
Park Acreage:		Miles of Sanitary Sewers	37
City Parks	33	Miles of Storm Sewers	37
Swimming Pools	2	Number of Treatment Plants	1
		Number of Service Connectors	3,360
		Daily Average Treatment in Gallons	2.5 Million
		Maximum Daily Capacity of Treatment Plant in Gallons	7.5 Million

City Of Bedford Heights, Ohio

Single Audit Reports

December 31, 2003

City Of Bedford Heights, Ohio

For The Year Ended December 31, 2003

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CPAs and Business Advisors

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the City Council of the
City of Bedford Heights, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford Heights, Ohio, as of and for the year ended December 31, 2003, which collectively comprise the city's basic financial statements and have issued our report thereon dated June 28, 2004, wherein we noted the City of Bedford Heights adopted Government Accounting Standards Board Statement No.34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bedford Heights' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Bedford Heights in a separate letter dated June 28, 2004.



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Members of the City Council of the
City of Bedford Heights, Ohio

This report is intended solely for the information and use of the Finance Committee, City Council, management, 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.

Cimini & Panichi, Inc.

Cleveland, Ohio
June 28, 2004



CPAs and Business Advisors

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Members of the City Council of the
City of Bedford Heights, Ohio

Compliance

We have audited the compliance of the City of Bedford Heights, Ohio, 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 each of its major federal programs for the year ended December 31, 2003. The City of Bedford Heights' major federal programs are 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 each of its major federal programs is the responsibility of the City of Bedford Heights' management. Our responsibility is to express an opinion on the City of Bedford Heights' 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 material 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 of Bedford Heights' 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 of the City of Bedford Heights' compliance with those requirements.

In our opinion, the City of Bedford Heights complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Members of the City Council of the
City of Bedford Heights, Ohio

Internal Control Over Compliance

The management of the City of Bedford Heights is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bedford Heights' 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 the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford Heights as of and for the year ended December 31, 2003, which collectively comprise the City of Bedford Heights's basic financial statements and have issued our report there dated June 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Bedford Heights' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Finance Committee, City Council, management, 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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 28, 2004

City of Bedford Heights, Ohio

Schedule of Expenditures of Federal Awards and Other

For The Year Ended December 31, 2003

<u>Program Title</u> <u>Federal Grantor and/or Pass-Through Grantor</u>	<u>Federal</u> <u>CFDA No.</u>	<u>Pass-Through</u> <u>Entity Number</u>	<u>Program</u> <u>or Award</u> <u>Amount</u>	<u>Receipts</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development					
Direct Program					
Community Development Block Grant	14.218	N/A	\$ <u>140,000</u>	\$ <u>134,666</u>	\$ <u>227,251</u>
U.S. Department of Justice					
Direct Program					
Local Law Enforcement Block Grant	16.592	N/A	50,700	50,000	62,821
Office of Community Oriented Policing Services (COPS)	16.711	N/A	<u>35,000</u>	<u>26,557</u>	<u>41,985</u>
Total Department of Justice			<u>85,700</u>	<u>76,557</u>	<u>104,806</u>
Total Expenditures of Federal Awards			\$ <u>225,700</u>	\$ <u>211,223</u>	\$ <u>332,057</u>
Other					
Jail Facility Expansion Grant	N/A	N/A	\$ <u>1,530,000</u>	\$ <u>240,777</u>	\$ <u>798,333</u>

The accompanying notes are an integral part of this schedule

City of Bedford Heights, Ohio

Notes to the Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2003

Note 1: Significant Accounting Policies

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

City of Bedford Heights, Ohio

Schedule of Findings
OMB Circular A-133, Section .505

December 31, 2003

1. Summary of Auditor's Results

(d)(I)(I)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Jail Facility Expansion Grant
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d)(I)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

None.

3. Findings for Federal Awards

None.

City Of Bedford Heights, Ohio

Schedule of Prior Audit Findings
OMB Circular A-133, Section .315(B)

December 31, 2003

None.

City of Bedford Heights

5661 Perkins Road
Bedford Heights, Ohio 44146
(440) 786-3200

Response to Findings Associated with Audit Conducted
in Accordance with *Government Auditing Standards*
for the Year Ended December 31, 2003

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
Not applicable.			



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
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800-282-0370

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CITY OF BEDFORD HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 17, 2004**