

**CITY OF GRANDVIEW HEIGHTS
FRANKLIN COUNTY, OHIO**

***GENERAL PURPOSE
FINANCIAL STATEMENTS
(Audited)***

***FOR THE YEARS ENDED
DECEMBER 31, 2003***

JAMES NICHOLSON, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of Grandview Heights
1016 Grandview Avenue
Grandview Heights, Ohio 43212

We have reviewed the *Independent Auditor's Report* of the City of Grandview Heights, Franklin County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2003 to 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 Grandview Heights is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 7, 2005

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**CITY OF GRANDVIEW HEIGHTS
FRANKLIN COUNTY, OHIO**

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Independent Auditor’s Report

Members of Council and Mayor
City of Grandview Heights
1016 Grandview Avenue
Grandview Heights, Ohio 43212

We have audited the accompanying general purpose financial statements of the City of Grandview Heights, Franklin County, Ohio, (the “City”), as of and for the year ended December 31, 2003, which collectively comprise the City’s general purpose financial statements as listed in the table of contents. These general purpose financial statements are the responsibility of the City’s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Grandview Heights, Franklin County, Ohio, as of December 31, 2003, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, the City restated beginning fund balances based on prior year errors and omissions.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2005, on our consideration of the City’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Trimble, Julian & Grube, Inc.
May 5, 2005

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CITY OF GRANDVIEW HEIGHTS, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,292,281	\$ 778,212	\$ 2,278	\$ 263,549
Cash and cash equivalents in segregated accounts. . .	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Taxes	2,204,459	115,564	-	-
Accounts	18,497	85	-	-
Accrued interest	5,713	-	-	-
Interfund loans	9,854	-	-	-
Capital lease receivable	-	-	760,000	-
Due from other funds	6,815	455	-	-
Due from other governments	493,453	163,736	-	-
Prepayments.	93,167	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
Other Debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits.	<u>\$ 4,124,239</u>	<u>\$ 1,058,052</u>	<u>\$ 762,278</u>	<u>\$ 263,549</u>
<u>Liabilities, equity and other credits</u>				
Liabilities:				
Accounts payable	\$ 68,440	\$ 19,561	\$ -	\$ 5,835
Accrued wages and benefits.	85,361	-	-	-
Compensated absences payable	71,237	-	-	-
Interfund loans payable	-	9,854	-	-
Deferred revenue	1,928,812	206,654	760,000	-
Due to other funds	-	-	-	-
Due to other governments.	74,074	-	-	-
Pension obligation payable	35,456	-	-	-
Capital lease obligation.	-	-	-	-
Notes payable.	-	-	-	-
Mortgage revenue bonds payable.	-	-	-	-
OPWC loans payable.	-	-	-	-
Total liabilities	<u>2,263,380</u>	<u>236,069</u>	<u>760,000</u>	<u>5,835</u>
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Fund balances:				
Reserved for encumbrances	138,001	233,792	-	41,122
Reserved for prepayments.	93,167	-	-	-
Reserved for debt service	-	-	2,278	-
Unreserved - undesignated	1,629,691	588,191	-	216,592
Total equity and other credits	<u>1,860,859</u>	<u>821,983</u>	<u>2,278</u>	<u>257,714</u>
Total liabilities, equity and other credits.	<u>\$ 4,124,239</u>	<u>\$ 1,058,052</u>	<u>\$ 762,278</u>	<u>\$ 263,549</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	Agency	General Fixed Assets	
\$ -	\$ -	\$ -	\$ 2,336,320
2,663	-	-	2,663
-	-	-	2,320,023
4,607	-	-	23,189
-	-	-	5,713
-	-	-	9,854
-	-	-	760,000
-	-	-	7,270
-	-	-	657,189
-	-	-	93,167
-	6,117,480	-	6,117,480
-	-	2,278	2,278
-	-	2,777,929	2,777,929
<u>\$ 7,270</u>	<u>\$ 6,117,480</u>	<u>\$ 2,780,207</u>	<u>\$ 15,113,075</u>
\$ -	\$ -	\$ -	\$ 93,836
-	-	-	85,361
-	-	482,814	554,051
-	-	-	9,854
-	-	-	2,895,466
7,270	-	-	7,270
-	-	-	74,074
-	-	125,237	160,693
-	-	8,320	8,320
-	-	440,000	440,000
-	-	760,000	760,000
-	-	963,836	963,836
<u>7,270</u>	<u>-</u>	<u>2,780,207</u>	<u>6,052,761</u>
-	6,117,480	-	6,117,480
-	-	-	412,915
-	-	-	93,167
-	-	-	2,278
-	-	-	2,434,474
<u>-</u>	<u>6,117,480</u>	<u>-</u>	<u>9,060,314</u>
<u>\$ 7,270</u>	<u>\$ 6,117,480</u>	<u>\$ 2,780,207</u>	<u>\$ 15,113,075</u>

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CITY OF GRANDVIEW HEIGHTS, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Municipal income taxes	\$ 3,354,944	\$ -	\$ -	\$ -	\$ 3,354,944
Property and other taxes	1,395,632	103,380	-	-	1,499,012
Charges for services	634,785	9,919	-	-	644,704
Licenses, permits and fees	34,014	-	-	-	34,014
Fines and forfeitures	68,246	5,109	-	-	73,355
Intergovernmental	973,410	595,538	-	-	1,568,948
Investment income	63,219	37,389	-	-	100,608
Lease	-	-	216,505	-	216,505
Donations	-	47,309	-	-	47,309
Reimbursements	-	-	-	1,105	1,105
Other	72,354	7,420	-	-	79,774
Total revenues	6,596,604	806,064	216,505	1,105	7,620,278
Expenditures:					
Current operations:					
General government	1,253,717	1,945	-	16,310	1,271,972
Security of persons and property	3,613,285	335,393	-	-	3,948,678
Public health and welfare	-	31,199	-	-	31,199
Transportation	1,006,863	67,314	-	62,730	1,136,907
Leisure time activity	667,597	10,203	-	-	677,800
Utility services	116,326	-	-	-	116,326
Capital outlay	46,165	205,972	-	510,121	762,258
Debt service:					
Principal retirement	14,534	25,576	705,000	-	745,110
Interest and fiscal charges	9,575	-	79,365	-	88,940
Total expenditures	6,728,062	677,602	784,365	589,161	8,779,190
Excess of revenues over (under) expenditures	(131,458)	128,462	(567,860)	(588,056)	(1,158,912)
Other financing sources (uses):					
Proceeds from sale of fixed assets	9,931	-	-	-	9,931
Proceeds of notes	-	-	440,000	-	440,000
Proceeds of loans	-	-	-	22,595	22,595
Operating transfers in	-	33,200	33,940	20,000	87,140
Operating transfers out	(87,140)	-	-	-	(87,140)
Total other financing sources (uses)	(77,209)	33,200	473,940	42,595	472,526
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(208,667)	161,662	(93,920)	(545,461)	(686,386)
Fund balances, January 1 (restated)	2,069,526	660,321	96,198	803,175	3,629,220
Fund balances, December 31	\$ 1,860,859	\$ 821,983	\$ 2,278	\$ 257,714	\$ 2,942,834

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF GRANDVIEW HEIGHTS, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Municipal income taxes	\$ 3,464,121	\$ 3,472,700	\$ 8,579	\$ -	\$ -	\$ -
Property and other taxes	1,442,205	1,395,632	(46,573)	106,306	103,380	(2,926)
Charges for services	650,193	630,684	(19,509)	16,500	14,919	(1,581)
Licenses, permits and fees.	26,200	34,014	7,814	-	-	-
Fines and forfeitures.	73,750	73,203	(547)	5,000	5,424	424
Intergovernmental	916,351	991,303	74,952	638,592	557,050	(81,542)
Investment income	80,000	64,362	(15,638)	23,500	37,389	13,889
Donations	-	-	-	5,000	46,804	41,804
Reimbursements	-	-	-	-	-	-
Other.	156,417	71,775	(84,642)	9,052	2,899	(6,153)
Total revenues	6,809,237	6,733,673	(75,564)	803,950	767,865	(36,085)
Expenditures:						
Current:						
General government	1,816,363	1,371,451	444,912	3,400	1,946	1,454
Security of persons and property.	3,877,096	3,599,880	277,216	370,935	313,103	57,832
Public health and welfare	-	-	-	37,768	31,199	6,569
Transportation	1,200,886	1,014,400	186,486	103,025	84,193	18,832
Leisure time activity.	733,554	663,532	70,022	18,000	9,156	8,844
Utility services.	142,350	117,223	25,127	-	-	-
Capital outlay	74,866	60,981	13,885	684,310	596,110	88,200
Debt service:						
Principal retirement	-	-	-	41,500	25,576	15,924
Interest and fiscal charges.	-	-	-	-	-	-
Total expenditures	7,845,115	6,827,467	1,017,648	1,258,938	1,061,283	197,655
Excess of revenues over (under) expenditures	(1,035,878)	(93,794)	942,084	(454,988)	(293,418)	161,570
Other financing sources (uses):						
Proceeds from sale of fixed assets.	-	9,931	9,931	-	-	-
Proceeds of notes	-	-	-	-	-	-
Proceeds from loans	-	-	-	-	-	-
Operating transfers in	-	-	-	33,200	33,200	-
Operating transfers out	(108,681)	(108,681)	-	-	-	-
Advances in	170,715	170,715	-	34,599	34,599	-
Advances out	(34,599)	(34,599)	-	(169,581)	(169,581)	-
Total other financing sources (uses).	27,435	37,366	9,931	(101,782)	(101,782)	-
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).	(1,008,443)	(56,428)	952,015	(556,770)	(395,200)	161,570
Fund balance, January 1 (restated)	1,009,548	1,009,548	-	560,459	560,459	-
Prior year encumbrances appropriated	161,297	161,297	-	375,853	375,853	-
Fund balance, December 31	\$ 162,402	\$ 1,114,417	\$ 952,015	\$ 379,542	\$ 541,112	\$ 161,570

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,464,121	\$ 3,472,700	\$ 8,579
-	-	-	-	-	-	1,548,511	1,499,012	(49,499)
-	-	-	-	-	-	666,693	645,603	(21,090)
-	-	-	-	-	-	26,200	34,014	7,814
-	-	-	-	-	-	78,750	78,627	(123)
-	-	-	-	-	-	1,554,943	1,548,353	(6,590)
-	-	-	-	-	-	103,500	101,751	(1,749)
-	-	-	-	-	-	5,000	46,804	41,804
-	-	-	772	1,105	333	772	1,105	333
-	-	-	-	-	-	165,469	74,674	(90,795)
-	-	-	772	1,105	333	7,613,959	7,502,643	(111,316)
-	-	-	16,944	16,310	634	1,836,707	1,389,707	447,000
-	-	-	-	-	-	4,248,031	3,912,983	335,048
-	-	-	-	-	-	37,768	31,199	6,569
-	-	-	156,187	153,923	2,264	1,460,098	1,252,516	207,582
-	-	-	-	-	-	751,554	672,688	78,866
-	-	-	-	-	-	142,350	117,223	25,127
-	-	-	764,665	723,185	41,480	1,523,841	1,380,276	143,565
535,200	535,000	200	12,698	12,698	-	589,398	573,274	16,124
33,740	32,860	880	8,843	8,843	-	42,583	41,703	880
568,940	567,860	1,080	959,337	914,959	44,378	10,632,330	9,371,569	1,260,761
(568,940)	(567,860)	1,080	(958,565)	(913,854)	44,711	(3,018,371)	(1,868,926)	1,149,445
-	-	-	-	-	-	-	9,931	9,931
440,000	440,000	-	-	-	-	440,000	440,000	-
-	-	-	50,000	22,595	(27,405)	50,000	22,595	(27,405)
33,940	33,940	-	41,541	41,541	-	108,681	108,681	-
-	-	-	-	-	-	(108,681)	(108,681)	-
-	-	-	-	-	-	205,314	205,314	-
-	-	-	(1,134)	(1,134)	-	(205,314)	(205,314)	-
473,940	473,940	-	90,407	63,002	(27,405)	490,000	472,526	(17,474)
(95,000)	(93,920)	1,080	(868,158)	(850,852)	17,306	(2,528,371)	(1,396,400)	1,131,971
96,198	96,198	-	308,488	308,488	-	1,974,693	1,974,693	-
-	-	-	758,956	758,956	-	1,296,106	1,296,106	-
\$ 1,198	\$ 2,278	\$ 1,080	\$ 199,286	\$ 216,592	\$ 17,306	\$ 742,428	\$ 1,874,399	\$ 1,131,971

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CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - THE REPORTING ENTITY

The City of Grandview Heights, Franklin County, Ohio, (the “City”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City is a home rule municipal corporation established under the laws of the State of Ohio that operates under its own Charter. The current Charter, which provides for a mayor-council-administrator form of government, was adopted by the electorate March 7, 2000 and became effective July 1, 2000. It replaced the original Charter which was adopted by the electorate July 28, 1931 and became effective January 1, 1932. The City provides the following services to its residents: Public Safety, Public Service, Parks and Recreation, and Building and Zoning. The City is also responsible for the construction, maintenance, and repairs associated with the water and sewer lines, while the City of Columbus provides water and sewer treatment services. Council and the Mayor have direct responsibility for these activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading consistent with GASB Statement No. 14, “The Financial Reporting Entity”. Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU’s corporate powers, appoints a voting majority of the PCU’s board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police and fire protection, street maintenance and repairs, zoning, and parks and recreation. The preceding financial statements include all funds and account groups of the City (the primary government). Additionally, the Grandview Heights Mayor's Court has been included in the City's financial statements as an agency fund. The Mayor is an elected City official who has a fiduciary responsibility for the collection and distribution of court fees and fines. The City has no component units, but is a member of an insurance purchasing pool, described in Note 15.

JOINTLY GOVERNED ORGANIZATIONS

FRANKLIN COUNTY GENERAL HEALTH DISTRICT

The Franklin County General Health District (the "District") provides health services to citizens within the County, including the City. The Board of Health, with representatives from throughout the County, oversees the operation of the District. The City contributed \$31,199 during fiscal year 2003 for the operation of the District. The City does not have any financial interest in or responsibility for the District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers.

MID-OHIO REGIONAL PLANNING COMMISSION

The Mid-Ohio Regional Planning Commission (MORPC) provides innovative solutions to 39 local governments. The City contributed \$5,278 to MORPC during fiscal year 2003. The City does not have any financial interest in or responsibility for the Commission. The Board of MORPC is made up of representatives from its participating governments. The City had two employees serve on the Board in 2003.

CITY OF GRANDVIEW HEIGHTS, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

RELATED ORGANIZATION

GRANDVIEW HEIGHTS PUBLIC LIBRARY

The Grandview Heights Public Library (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the City Schools Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and has issued debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Grandview Heights Public Library, c/o Clerk/Treasurer, at 1685 W. First Ave., Grandview Heights, Ohio 43212.

The City and the Library have entered into a capital lease arrangement for the building which houses the Library, described in Note 17.

B. Basis of Presentation - Fund Accounting

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

CITY OF GRANDVIEW HEIGHTS, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories of governmental and fiduciary. The City has no proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balance of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund - The general fund is used to account for all activities of the City not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

FIDUCIARY FUND

Agency Fund - The agency fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. The agency fund has no measurement focus (i.e., assets equal liabilities), and is presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Asset Account Group - The general fixed assets account group is used to account for all general fixed assets of the City.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the City.

C. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. 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 are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, the recognition of revenue, the recording of deferred revenue, and in the reporting of expenditures, are recorded as follows:

Agency funds do not report a measurement focus as they do not report operations.

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from income taxes is recognized in the period in which the income is earned and the amounts are available (see Note 6). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the amounts are available (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the amounts are available. 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), licenses, permits, fees and rentals.

DEFERRED REVENUE

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004, operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

EXPENDITURES

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

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets

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

TAX BUDGET

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

ESTIMATED RESOURCES

The County Budget Commission determines if the budget justifies the need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Director of Finance determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The final estimated resources which appear in the budgetary statements represent the final estimated resources certified by the County Budget Commission at December 31, 2003.

CITY OF GRANDVIEW HEIGHTS, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

APPROPRIATIONS

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance assigns spending authority at the fund, department, and object level based on each specific fund as appropriated by Council. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. The City had numerous appropriation modifications during 2003. The final appropriations which appear in the budgetary statements represent the final appropriation amounts approved by Council at December 31, 2003.

LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Note 14 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Cash Equivalents

Cash balances of the City's funds, except cash held in segregated accounts, are pooled in order to provide improved cash management. 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, investments were limited to repurchase agreements, the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and certificates of deposit.

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

The City has invested funds in STAR Ohio during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

Following Ohio statutes and other legal provisions, the City Council has specified the funds to receive an allocation of interest earnings. During fiscal year 2003, interest revenue credited to the general fund amounted to \$63,219 which includes \$19,085 assigned from other City funds.

The City has a segregated bank account for Mayor's Court monies held separate from the City's central bank account. This interest bearing depository account is presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since it is not required to be deposited into the City treasury.

For presentation on the combined balance sheet, investments with original maturities of three months or less, and investments from the City's cash management pool are considered to be cash equivalents.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

CITY OF GRANDVIEW HEIGHTS, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

G. Fixed Assets

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. No depreciation is recognized for assets in the general fixed assets account group. The City has not included infrastructure in the general fixed assets account group.

The City's fixed assets are described in Note 8.

H. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, capital leases payable, compensated absences, and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Bonds, notes and long-term loans are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Compensated Absences

The liability for compensated absences is based on the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits and compensatory time are accrued as liabilities as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future.

The total liability for vacation, compensatory time and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by city ordinance and/or policy, plus applicable additional salary related payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

J. Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure, including amounts that are legally segregated for a specific future use. As a result, encumbrances, prepayments, and debt service are recorded as reservations of fund balance.

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. The most significant may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

CITY OF GRANDVIEW HEIGHTS, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the combined balance sheet as due to/from other funds.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable on the combined balance sheet.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 5.

L. Estimates

The preparation of the general-purpose financial statements in conformity with GAAP 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.

M. Memorandum Only - Total Columns

The "total" columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

The City has presented a prior period adjustment to restate beginning fund balances in the general fund, special revenue fund and capital projects fund. This is to record expenditures not previously recorded and to adjust contracts payable from prior years. The restatement to the general fund also impacted the non-gaap budgetary basis fund balance from \$1,039,266 to \$1,009,548.

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Fund balance as previously reported	\$ 2,099,244	\$ 661,438	\$ 778,347
Effect of restatement	<u>(29,718)</u>	<u>(1,117)</u>	<u>24,828</u>
Fund balance as of January 1, 2003	<u>\$ 2,069,526</u>	<u>\$ 660,321</u>	<u>\$ 803,175</u>

B. Deficit Fund Balance

The following fund had a deficit fund balance as of December 31, 2003:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds</u>	
Domestic Violence	\$ 5,798

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balance in the Domestic Violence special revenue fund is a result of the application of GAAP, namely in the recognition of a liability for interfund loans attributable to the current year. This deficit will be eliminated by intergovernmental revenues not recognized at December 31.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

A. Legal Requirements

Monies held by the City are classified by state statute into three categories:

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

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

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association (GNMA), and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Director of Finance or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year ended December 31, 2003, the City had \$900 in undeposited cash on hand, which is included on the combined balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents", but is not considered part of the City's carrying amount of deposits at year-end.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Cash in Segregated Accounts: For the year ended December 31, 2003, \$2,663, was on deposit in segregated accounts for the Mayor's Court, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

B. Deposits

For the year ended December 31, 2003, the carrying amount of the City's deposits were \$1,906,235 and the bank balances were \$2,011,369. This amount included non-negotiable certificates of deposits and deposits in segregated accounts, but exclude cash on hand. Of the bank balance:

1. At year ending December 31, 2003, \$1,949,590 was covered by federal depository insurance; and
2. At year ending December 31, 2003 \$61,779 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code at December 31, 2003. At December 31, 2003, the City had uninsured and uncollateralized deposits contrary to Ohio Revised Code Section 135.18, Revised Code. 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 Federal Deposit Insurance Corporation (FDIC).

C. Investments

The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

	Category 2	Fair Value
Federal agency securities	\$ 403,093	\$ 403,093
GNMA Pool	18,030	18,030
STAR Ohio	-	10,725
Total investments	\$ 421,123	\$ 431,848

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or bank entry form.

The federal securities have maturity dates ranging from March, 2003 through June, 2007.

The classification of cash and cash equivalents 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 Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 2,338,983	\$ -
Investments of the cash management pool:		
Federal agency securities	(403,093)	403,093
STAR Ohio	(10,725)	10,725
GNMA Pool	(18,030)	18,030
Cash on hand	(900)	-
GASB Statement No. 3	\$ 1,906,235	\$ 431,848

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized reconciliation of the City's operating transfers for the year ended December 31, 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 87,140
<u>Special Revenue Funds</u>		
Board of Health	31,200	-
Mayor's Court Computer	<u>2,000</u>	<u>-</u>
Total Special Revenue Funds	<u>33,200</u>	<u>-</u>
<u>Debt Service Fund</u>		
General Debt Service	<u>33,940</u>	<u>-</u>
<u>Capital Projects Fund</u>		
General Improvement	<u>20,000</u>	<u>-</u>
Total	<u>\$ 87,140</u>	<u>\$ 87,140</u>

All transfers are considered in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

B. The following is a reconciliation of the City's interfund loans outstanding at December 31, 2003:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 9,854	\$ -
<u>Special Revenue Funds</u>		
NIBRS	-	6
Juvenile Task Force	-	3,027
Domestic Violence	<u>-</u>	<u>6,821</u>
Total Special Revenue Funds	<u>-</u>	<u>9,854</u>
Total	<u>\$ 9,854</u>	<u>\$ 9,854</u>

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. Interfund balance at December 31, 2003 which relate to quasi-external transactions consist of the following individual fund receivables and payables:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General Fund	\$ 6,815	\$ -
<u>Special Revenue Funds</u>		
DUI Education & Enforcement	190	-
Mayor's Court Computer	<u>265</u>	<u>-</u>
Total Special Revenue Funds	<u>455</u>	<u>-</u>
<u>Agency Fund</u>		
Mayor's Court	<u>-</u>	<u>7,270</u>
Total	<u>\$ 7,270</u>	<u>\$ 7,270</u>

NOTE 6 - TAXES

A. Property Taxes

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 the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

Taxes collected from 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 6 - TAXES - (Continued)

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 year preceding the tax collection year, the lien date. Public utility tangible personal property currently is assessed at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The Franklin 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 and 2002, were \$10.70, per \$1,000 of assessed value, respectively. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

	2003	2002
Real property	\$ 174,141,890	\$ 173,661,360
Public utility	6,818,690	6,961,490
Tangible personal property	15,182,734	18,155,918
Total valuation	\$ 196,143,314	\$ 198,778,768

B. Income Taxes

The City levies and collects an income tax of two percent on all income earned within the City as well as on incomes 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 quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City of Columbus and the Regional Income Tax Agency (RITA) administers and collects income taxes for the City. Payments, net of a 1.36% collection fee for the City of Columbus and 3% for RITA, are remitted monthly for tax revenues received by Columbus and RITA in the prior month. Income tax revenue is credited to the general fund and totaled \$3,354,944 in fiscal year 2003.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003 primarily consisted of taxes, interest, accounts (billings for user charged services), intergovernmental receivables, interfund loans, due from other funds and a capital lease receivable. Intergovernmental receivables have been presented as "Due From Other Governments" on the combined balance sheet. Receivables have been recorded to the extent eligibility requirements have been met by year-end and the amounts are measurable.

A summary of receivables follows:

	<u>2003</u>
<u>General Fund</u>	
Real and other taxes	\$ 1,572,083
Income taxes	632,376
Accounts	18,497
Accrued interest	5,713
Interfund loans	9,854
Due from other funds	6,815
Due from other governments	493,453
<u>Special Revenue Funds</u>	
Real and other taxes	115,564
Accounts	85
Due from other funds	455
Due from other governments	163,736
<u>Debt Service Fund</u>	
Capital lease receivable	760,000

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 8 - FIXED ASSETS

A summary by class of the changes in general fixed assets during the year ending December 31, 2003 are as follows:

	Balance at <u>1/1/2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2003</u>
Land	\$ 1,548,969	\$ -	\$ -	\$ 1,548,969
Buildings	538,566	218,800	-	757,366
Improvements other than buildings	67,808	-	-	67,808
Machinery and equipment	1,505,135	36,283	(56,210)	1,485,208
Furniture and fixtures	43,951	-	-	43,951
Vehicles	1,832,390	477,066	(95,278)	2,214,178
Construction-in-progress	<u>218,800</u>	<u>-</u>	<u>(218,800)</u>	<u>-</u>
Total fixed assets	<u>\$ 5,755,619</u>	<u>\$ 732,149</u>	<u>\$ (370,288)</u>	<u>\$ 6,117,480</u>

NOTE 9 - LONG TERM OBLIGATIONS

A. Changes in long-term obligations of the City during year ending December 31, 2003, were as follows:

	Balance at <u>1/1/2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/2003</u>
Compensated absences	\$ 405,909	\$ 76,905	\$ -	\$ 482,814
Pension obligation	213,333	125,237	(213,333)	125,237
1993 Mortgage revenue refunding bonds - 4.5% -6.70%	930,000	-	(170,000)	760,000
1999 OPWC Loan - 0%	260,907	-	(14,495)	246,412
2000 OPWC Loan - 3%	297,922	-	(12,698)	285,224
2001 OPWC Loan - 0%	420,686	22,595	(11,081)	432,200
1991 General obligation bonds - street lighting improvements 6.74% - 6.78%	535,000	-	(535,000)	-
General obligation notes payable	-	440,000	-	440,000
Capital lease obligation	<u>10,156</u>	<u>-</u>	<u>(1,836)</u>	<u>8,320</u>
Total general long-term obligations	<u>\$ 3,073,913</u>	<u>\$ 664,737</u>	<u>\$ (958,443)</u>	<u>\$ 2,780,207</u>

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - LONG TERM OBLIGATIONS - (Continued)

The general obligation bonds are direct obligations of the City and will be paid from the debt service fund using property tax revenues. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid. The capital lease obligation and the 2000 OPWC Loan for Goodale Blvd. street improvements will be paid from operating revenues of the general fund.

The mortgage revenue refunding bonds are repaid through a capital lease arrangement with the Grandview Heights Public Library described in Note 17.

The general obligation notes are supported by the full faith and credit of the City. The notes were issued to repay bonds which were called during the year. The City's long-term general obligation notes are presented in the general long-term obligations account group and are payable from unvoted property tax revenues. In accordance with FASB Statement No. 6 "Classification of Short-Term Obligation Expected to be Referenced," the bond anticipation note was classified as a long-term obligation based on the issuance of notes as described in Note 18.

The City has entered into three debt financing arrangements through the Ohio Public Works Commission (OPWC). These loans are to fund Goodale Blvd. street improvements and the sewer rehabilitation project. The amounts due to the OPWC are payable solely from operating revenues. The loan agreements function similar to a line-of-credit agreement. The 1999 and 2001 OPWC loans are being repaid from the State Highway Improvement special revenue fund while the 2000 OPWC loan will be repaid from the General Fund. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans for the street improvements are interest free, but the sewer project loan has an interest rate of 3%.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - LONG TERM OBLIGATIONS - (Continued)

B. The following is a summary of the City's future annual debt service requirements to maturity for mortgage revenue bonds and OPWC loans. The future annual debt service requirements for the OPWC loans are based on total permissible borrowing and may differ from the actual amount borrowed as of year-end.

Fiscal Year Ending <u>December 31</u>	General Long-Term Obligations			
	Mortgage Revenue <u>Bonds</u>	OPWC <u>Loans</u>	General Obligation <u>Note Payable</u>	<u>Total</u>
2004	\$ 213,430	\$ 58,200	\$ 446,055	\$ 717,685
2005	214,855	58,200	-	273,055
2006	215,605	58,201	-	273,806
2007	215,660	58,200	-	273,860
2008	-	58,201	-	58,201
2009-2013	-	291,001	-	291,001
2014-2018	-	291,000	-	291,000
2019-2022	-	<u>171,809</u>	-	<u>171,809</u>
Total	859,550	1,044,812	446,055	2,350,417
Less: interest	<u>(99,550)</u>	<u>(80,976)</u>	<u>(6,055)</u>	<u>(186,581)</u>
Total	<u>\$ 760,000</u>	<u>\$ 963,836</u>	<u>\$ 440,000</u>	<u>\$ 2,163,836</u>

C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2003, the City's total debt margin was \$18,229,654 and the unvoted debt margin was \$8,420,210; this amount included available funds of \$2,278.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In 2002, the City entered into a capitalized lease agreement for the acquisition of a copier, which was accounted for as a capital outlay expenditure and other financing source - proceeds of capital lease in the general fund.

The terms of the lease agreement provides an option to purchase the copier. This lease meets the criteria of capital leases as defined by FASB No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception in the amount of \$10,568. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2003 totaled \$1,836. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of December 31, 2003:

<u>General Long-Term Obligations Account Group</u>	
Year Ending	<u>Total</u>
2004	\$ 2,568
2005	2,568
2006	2,568
2007	<u>1,926</u>
Total future minimum lease payments	9,630
Less: amount representing interest	<u>(1,310)</u>
Present value of future minimum lease payments	<u>\$ 8,320</u>

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic 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. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2003 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2003. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2003. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$223,090, \$176,704, and \$160,999, respectively; 100% has been contributed for 2003, 2002 and 2001.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The 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 Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial statements 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.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2003, 2002, and 2001 were \$487,648, \$332,818, and \$458,913, respectively; 74% has been contributed for 2003 and 100% for the years 2002 and 2001. \$125,237, representing the unpaid contributions for 2003, is recorded as a liability within the general long-term obligations account group.

NOTE 12 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". 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. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2003 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$82,321.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

CITY OF GRANDVIEW HEIGHTS, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 12 - POSTRETIREMENT BENEFIT PLANS - (Continued)

As of December 31, 2002 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively at December 31, 2002 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2002 (the latest information available) was 402,041.

In December 2002, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS, December 31, 2003, Comprehensive Annual Financial Report.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 12 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F'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% of covered payroll in 2002 and 2003. 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 latest information available), is 13,527 for police officers and 10,396 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$96,041 and \$79,437, respectively. OP&F's total health care expense for the year ending December 31, 2002 (the latest information available), was \$141.028 million, which was net of member contributions of \$12.623 million.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Full time employees earn sick leave at a rate of 4.6 hours per pay period. Fire employees who work 56 hour weeks earn sick leave at a rate of 6.5 hours per pay period. There is no limit to the amount an employee can accumulate. Part time, temporary or seasonal employees are not entitled to sick leave. At the time of resignation, if an employee is in good standing and has at least 10 years of service with the City, PERS employees and police are entitled to receive one-fourth of their accrued but unused sick leave, up to a maximum accrual of 2,400 hours and fire employees are entitled to receive up to one-fourth of their first 2,000 hours and one-third of their remaining hours with a maximum total accrual of 2,800 hours.

Employees that were eligible for sick leave for an entire year has the option of receiving payments in cash for hours accrued, part or whole, which is to be paid in the first month following the end of that fiscal year. The remaining sick leave not paid out will continue to be carried forward.

Vacation and compensatory time are available to full time employees after one year of service with the City. The rates of accrual, total number of hours paid per year and accrual limit varies with years of service. Part time, temporary or seasonal employees are not entitled to vacation leave or compensatory time. Permanent part time employees are entitled to twenty hours of vacation leave per year at their regular rate of pay after one year of service with the City, however vacation leave must be taken during the period earned and may not be accrued. Permanent part time employees include the Clerk of Court or Finance Accounting Clerk that work more than 900 hours per year.

As of December 31, 2003, the total liability for unpaid compensated absences was \$554,051. The current portion of \$71,237 is reported as a liability of the general fund, and the balance of \$482,814 is reported in general long-term obligations account group.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER/(UNDER) EXPENDITURES AND OTHER FINANCING (USES)

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Budget basis	\$ (56,428)	\$ (395,200)	\$ (93,920)	\$ (850,852)
Adjustments:				
Net adjustment for revenue accruals	(137,069)	38,199	216,505	-
Net adjustment for expenditure accruals	(72,305)	146,581	(216,505)	282,879
Net adjustment for other financing sources/(uses)	(114,575)	134,982	-	(24,445)
Encumbrances	<u>171,710</u>	<u>237,100</u>	<u>-</u>	<u>46,957</u>
GAAP basis	<u>\$ (208,667)</u>	<u>\$ 161,662</u>	<u>\$ (93,920)</u>	<u>\$ (545,461)</u>

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the City was a member of the Ohio Government Risk Management Plan (the "Plan"), an insurance purchasing pool. The Plan shops for insurance as a group with the intention of securing better rates than if each participant purchased insurance separately.

CITY OF GRANDVIEW HEIGHTS, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 15 - RISK MANAGEMENT - (Continued)

The type of coverage, deductible and limit of coverage for each is as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limit</u>
Property	\$1,000	\$2,107,374
General Liability	2,500	3,000,000
Automobile	250	3,000,000
Bond	0	150,000
Crime	0	5,000
Inland Marine	100	924,504
Fire Vehicle RC	100	927,762
EDP	100	365,000

Settlements have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 16 - CONTINGENCIES

A. Grants

The City receives financial assistance from various federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2003.

CITY OF GRANDVIEW HEIGHTS, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations. The City's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the City.

NOTE 17 - CAPITAL LEASE RECEIVABLE

The City leases property to the Grandview Heights Public Library. This property houses the Library, which was built by bond proceeds issued in 1987. In 1993, the original bond issue was defeased by placing the proceeds into an irrevocable trust for the purpose of retiring the original 1987 issue. Per the lease agreement, the Library pays the annual principal and interest payments on the 1993 debt issue.

The lease period is fourteen years. At the conclusion of the lease period, the Library may purchase the leased property for \$1. The City has classified these agreements as direct financing capital leases. The lease payments to the City are paid to the Trustee and will be used to retire the debt.

The City has recognized the future minimum lease payments, less unearned interest, as leases receivable in the capital projects fund type. That portion (other than unearned interest income) which is not available at year-end is classified as deferred revenue.

	<u>12/31/2003</u>
Total minimum lease payments to be received	\$ 806,506
Less: unearned interest	<u>(46,506)</u>
Net investment in direct financing leases	<u>\$ 760,000</u>

NOTE 18 - SUBSEQUENT EVENTS

On October 13, 2004, the City issued \$335,000 Street Lighting Refunding Notes bearing an interest rate of 5%. These notes were issued to refund the October 15, 2003 Street Lighting Refunding Notes.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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

Members of Council and Mayor
City of Grandview Heights
1016 Grandview Avenue
Grandview Heights, Ohio 43212

We have audited the general purpose financial statements of the City of Grandview Heights, Franklin County, Ohio (the "City") as of and for the years ended December 31, 2003, and have issued our report thereon dated May 5, 2005. As disclosed in Note 3, the City restated beginning fund balances based on prior year errors and omissions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the City in a separate letter dated May 5, 2005.

Members of Council and Mayor
The City of Grandview Heights

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which we have reported to the management of the City in a separate letter dated May 5, 2005.

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

A handwritten signature in cursive script that reads "Julian E. Grube, Inc.".

Trimble, Julian & Grube, Inc.
May 5, 2005

**CITY OF GRANDVIEW HEIGHTS
FRANKLIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-COGH-001	Ohio Revised Code Section 5705.41(B) in part requires that expenditures should not exceed appropriations.	Yes	N/A
2002-COGH-002	Ohio Revised Code Section 135.18 states, in part, adequate collateral must exist to cover deposits and investments in excess of Federal Deposit Insurance Corporation collateralization.	Yes	N/A



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CITY OF GRANDVIEW HEIGHTS

FRANKLIN 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 4, 2005**