



**CITY OF BEACHWOOD  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2002**



**Auditor of State  
Betty Montgomery**



CITY OF BEACHWOOD  
CUYAHOGA COUNTY

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**Auditor of State  
Betty Montgomery**

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

City of Beachwood  
Cuyahoga County  
2700 Richmond Road  
Beachwood, Ohio 44122

To the Members of City Council

We have audited the financial statements of the City of Beachwood, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 27, 2003, in which we noted the City restated the Capital Improvements fund balance. 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 27, 2003.

City of Beachwood  
Cuyahoga County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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This report is intended for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

May 27, 2003

**CITY OF BEACHWOOD, OHIO**

**COMPREHENSIVE**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2002**



**City of Beachwood, Ohio**  
*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended December 31, 2002*  
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# CITY OF *Beachwood*

2700 RICHMOND ROAD • BEACHWOOD, OHIO 44122

MAYOR  
MERLE S. GORDEN

May 27, 2003

Members of Beachwood City Council and  
The Citizens of Beachwood, Ohio

It is our privilege to present to you the City of Beachwood's Comprehensive Annual Financial Report (CAFR). This CAFR represents the official report of the City of Beachwood's operations and financial position for the year ended December 31, 2002, and has been developed to accurately detail the status of City finances to Beachwood residents and elected officials, investment banks and underwriters, rating agencies and all other interested parties. This report is done in compliance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments."

Responsibility for both the accuracy of the presented data and the completeness and fairness of the entire presentation, including all disclosures, rests with the City of Beachwood. We believe the data presented is accurate in all material respects and it is presented in a manner designed to set forth fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City of Beachwood's activities have been included.

The Comprehensive Annual Financial Report is presented in three sections:

**The Introductory Section** which includes a table of contents, this transmittal letter, a list of the City's principal elected and appointed officials, an organizational chart and the GFOA Certificate of Achievement.

**The Financial Section** which includes the Report of the Independent Accountants 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.

**The Statistical Section** which includes selected financial and demographic information, generally presented on a multi-year basis.

## **REPORTING ENTITY**

The City has reviewed its reporting entity definition in order to insure compliance and conformance with the Governmental Accounting Standards Board Statement Number 14, "The Financial Reporting Entity." For financial reporting definition purposes, City management has considered all agencies, departments and organizations comprising the City of Beachwood, the primary government and its potential component units.

The Beachwood City School District and the (Cleveland) Regional Transit Authority have not been included in the accompanying financial statements. Boards of both entities are not appointed by the City, nor is either fiscally dependent on the City of Beachwood. The Beachwood Mayor's Court has been included in the City's financial statements as part of the general fund. The clerk of courts is an appointed City official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

The City has contracted with the Regional Income Tax Agency for municipal income tax administration and collection services.

The City participates in the Northeast Ohio Public Energy Council, which is a jointly governed organization. This organization is discussed in Note 16 of the Basic Financial Statements.

## **THE CITY OF BEACHWOOD**

The City of Beachwood gained formal status as a City in 1960 with an estimated census of approximately 6,100 residents. Previously, the City was incorporated as a village in 1915. The City of Beachwood is located in the county of Cuyahoga in northeastern Ohio approximately 13.5 miles east of downtown Cleveland.

The City of Beachwood covers approximately 5.25 square miles and is located in an area easily accessible by various methods of mass public transportation. The City is bordered on the east by Interstate 271, which provides connecting routes to Interstates 90 and 480. Cleveland Hopkins International Airport is less than thirty miles from the City of Beachwood, while Cleveland Burke Lakefront Airport and the Cuyahoga County Regional Airport are both less than fifteen miles from the City.

The quality of life in the City of Beachwood, supported by low taxes, an excellent public education system and effective public services, has consistently served to be attractive to new residents and commercial investors. Surveys show that young families are drawn to the City of Beachwood for all of the reasons stated above and these qualities are also a strong basis for maintaining a stable residential population. Currently, the community is made up of more than 2,500 homes and 1,800 apartment and condominium units and is populated by 12,186 residents. Due to factors attracting commercial interests to the City of Beachwood, it is estimated that approximately 100,000 people come to the City of Beachwood daily to work, shop or visit.

Cleveland's relatively close proximity allows Beachwood residents to benefit from cultural and entertainment attractions staged at sites within a short drive of the City. The Cleveland Orchestra at Severance Hall, the Cleveland Museum of Art and the Crawford Auto and Aviation Museum are all situated in University Circle just miles from the City. Downtown Cleveland offers a wide array of professional and collegiate sports teams in state of the art facilities. The Great Lakes Science Center and the Rock and Roll Hall of Fame are popular additions to Cleveland's lakefront development, which is bordered by quality shopping offerings located at the Galleria and Tower City.

The Cleveland area is also well respected for the level of medical services available. The Cleveland Clinic Foundation is known worldwide as one of the premier medical facilities. University Hospitals also provide a top-rate source of specialized medical services. Both hospitals are located less than fifteen minutes from the City. Additionally, both organizations have medical offices within Beachwood City limits.

The City of Beachwood itself offers residents and visitors a significant level of cultural, medical and entertainment services. Beachwood Place mall offers shoppers more than 140 stores featuring apparel, home furnishings and other gifts. Flanked by Saks Fifth Avenue, Nordstrom and Dillard's, Beachwood Place also is a profitable revenue source for the City, as it is staffed by over 1,500 sales associates. La Place and the Pavilion Shopping Centre are malls that also attract the attention of residents and commuting employees.

The City of Beachwood is home to the Peter B. Lewis Aquatic & Therapy Center, a project made possible by Mr. Lewis, the Chief Executive Officer of Progressive Corporation. The first such aquatic rehabilitation center of its type in the Cleveland area, the facility includes therapy pools with moveable floors that allow clients to enter the pool in wheelchairs without fear of being lifted over the water surface.

MBNA is the largest independent credit card lender in the world, and has chosen the City as the site of a major portion of their business operations. With a full-time staff of approximately 1,800, MBNA is the City's largest employer and provides substantial tax revenues to support City operations.

The City has made substantial investments in its Recreation and Human Services programs, offering a wide array of sports and health improvement activities for commercial and residential citizens of the City of Beachwood. Understanding the commitment the City has to its business community, there are a number of recreation programs that provide summer day camps as well as before and after-camp childcare that allows working parents a safe haven for their children. City-sponsored recreation activities run year-round and include specialized programming for all ages and abilities.

## **CITY GOVERNMENT**

Voters first adopted the City Charter on November 3, 1959. It was extensively revised and re-adopted in its entirety at the general election of November 8, 1994. The Charter governs operations of the City of Beachwood and provides for a Mayor-Council form of municipal government. All legislative authority is vested in a seven-member Council. Council members are elected on an at-large basis at the regular municipal election in November of odd numbered years for a term of four years and serve staggered terms commencing on the first day of January after the election.

At the first Council meeting in January following the election of Council members, Council is required to hold an organizational meeting at which time one of the members is elected Council President to serve for a term not to extend beyond the next organizational meeting. The Council President appoints chairpersons and members of standing and temporary committees of Council to serve terms not beyond the next organizational meeting.

Council also appoints individuals to serve in the positions of Law Director, Assistant Law Director and other Attorneys at Law for the City and confirms Mayoral appointments of various other director positions. Council is charged with approving the employment of consultants to advise and assist the Mayor, Council or any board, commission or department of the City relative to City issues.

The Council determines and sets compensation of City officials and employees and enacts legislation in the form of ordinances and resolutions relative to City services, tax levies, appropriating and borrowing monies, licensing and regulating businesses and trades and other various municipal purposes.

Pursuant to the revised Charter, the Mayor is to be elected every fourth year - the first election under the revised Charter being held in 1997, for a term of four years. The Mayor is considered to be the Chief Executive Officer of the City and is responsible for all contracts, conveyances, evidences of indebtedness and other instruments to which the City is a party. The Mayor serves as the official and ceremonial head of the City government.

The Mayor is required to supervise the administration of the City's affairs and exercises control over all departments and divisions except those reserved to Council. The Mayor also acts as the chief conservator of the peace within the City and is required to enforce all laws and regulations. The Mayor currently serves in the additional capacity of Safety Director.

City administrative departments operating under the supervision of the Mayor include Audit, Building, Community Services, Engineering, Finance, Fire, Police and Service. The Department of Law is controlled by a director appointed by City Council and works to assist the various administrative operations of the City.

The City of Beachwood residents receive water services from the City of Cleveland and sewer services from the Northeast Ohio Regional Sewer District. The City of Beachwood safety forces are partners with other local municipalities for joint response fire and police services.

## **ECONOMIC CONDITIONS AND OUTLOOK**

City Council and the Administration are committed to protecting the level of services afforded all of the commercial and residential citizenry of the City of Beachwood and to implement projects and programs designed to improve the economic and operational efficiency of the City Government. Through effective financial management, the City is striving to maintain tax rates at current levels, an action that should continue to draw new businesses and homebuyers to the City.

The City currently maintains a Aa1 rating with Moody's Investor Service and a AAA rating with Fitch Investors Service, two of the three largest recognized rating agencies of municipal debt. These ratings demonstrate the City's high level of performance as it relates to management and administration of government resources, effective debt management with moderate low levels, vibrant and diverse local economy and strong finances. Some factors noted by the rating agencies included the City's expanding tax base, high personal wealth levels, consistent strong financial performance, superior financial flexibility and low debt burden. The City is very proud of these ratings and will strive to continue at the level of excellence required to maintain them.

The area of Beachwood known as Chagrin Highlands is the major focus of Commercial Development in the City. Commercial development in this area promises to deliver a blend of custom designed corporate headquarters, multi-tenant buildings, hotels, restaurants and business service enterprises that will add to the tax base of the City. Of the 630 acres that make up the Chagrin Highlands, 408.25 acres are situated within Beachwood's city limits. The remaining acreage is located within the following municipalities: Village of Highland Hills, Village of Orange and City of Warrensville Heights.

The Chagrin Highlands will be a focal point of future economic growth for the City. Employment projections for the next twenty years indicate that potentially 20,000 individuals will obtain jobs in Chagrin Highlands businesses. To date, two buildings have been completed with Paine Weber, Shaker Investments and Penske Logistics as the major employers.

Additionally, in 2002, MBNA continued with construction of building four of their office campus, which includes an underground parking garage. It is anticipated that this building will open in the spring of 2003 and that approximately 900 employees will eventually work in the new building. MBNA has presented to the City a master plan that would bring their complex to a total of ten buildings. While the timetable of this plan is unknown, it is estimated to be approximately fifteen years.

The City has consistently enjoyed the benefits of a strong commercial employment base that has provided for a consistent level of withholding tax collections. This strong commercial base allows the City of Beachwood to be one of the few communities in northeast Ohio that gives a 100 percent income tax credit to its residents.

Initially implemented as a temporary measure for 1997-1998, the credit was extended indefinitely in the year 2000. This credit allows residents working in locations outside Beachwood to receive 100 percent credit for all income taxes paid to other taxing districts. This credit, in addition to the low property tax rates levied by the City, has continued to make the City of Beachwood an attractive alternative to new homebuyers and proved to be a factor in the overall stability of the City's residential population.

In an effort to maintain this strong commercial base, the City has a contractual agreement with the Beachwood Chamber of Commerce until December 31, 2005 to provide economical development services. Under this agreement the Beachwood Chamber of Commerce is focusing on: Technology, International Business Recruitment, Business Retention and Acquisition and Marketing/Communication for the City on Economic Development.

Continually increasing property tax values, fueled by the combination of good government and a superlative public school system make the City of Beachwood an attractive place to live, work and play. Because of this attractiveness, the City will be able to continually attract new residents and businesses, which will protect the City's income stream for years to come.

## **MAJOR INITIATIVES**

Cooperative efforts by the Mayor and Council led to a variety of major initiatives being implemented, continued or completed in 2002. These initiatives are designed to improve the general level of operations of the City and to enhance the level of services and benefits provided to Beachwood residential and commercial residents.

### ***City Master Plan***

A measure of the City's commitment to future growth is the City Master Plan, a joint effort of Council and the Administration designed to appropriately provide facility expansion. Residents will benefit from construction of a new fire station, new recreational facilities which will include new tennis courts, the new Beachwood Family Aquatic Center, a new community center and park and the expansion and remodeling of the existing municipal service center. Construction of the new fire station and new tennis courts was completed in 2001. In 2002, construction began on the new Beachwood Family Aquatic Center that should be open in June of 2003. The municipal service center expansion is scheduled to begin in June of 2003.

### ***Public Safety Improvements and Programs***

The City of Beachwood's Police Department continues to be a highly trained and professional force equipped with the latest state of the art equipment. In 2002, the department upgraded the Dispatch Center and added Mobile Data Terminals to all the cruisers. The Mobile Data Terminals will enhance operations by allowing officers to prepare reports and tickets via the computer while on the road.

In addition to these enhancements, the department equips all patrol cars with automated external defibrillators and maintains a reverse 911 System that allows it to notify all or part of the City in emergency situations.

In 2002, the City received its sixth consecutive score of 100 percent jail compliance from the Ohio Department of Corrections. The department has also applied for and is half way through becoming an Accredited Law Enforcement Agency by the Commission on Accreditation for Law Enforcement Agencies (CALEA).

The City's Police Department continues to run the popular e-Copp and Senior Police Academy programs. The e-Copp program, which was spearheaded by two of the City's patrol officers, is designed to teach online safety and personal information protection, teach children e-mail and chat room etiquette, online shopping safety, handling unwanted email and instant messages and appropriate avenues to seek assistance with online problems. The Senior Police Academy is a community-policing program designed to educate senior citizens on how to avoid becoming a victim of crime. The feedback on both these programs continues to be excellent. In addition to the programs mentioned above, the Police Department also conducts Bike Patrols, Safety Town and Senior Citizen/Female Self Defense Programs. These programs are also very popular with the community.

The Fire Department provides the community with both educational and practical information. The Fire Department is fortunate, in that, it is able to access the public through several different programs. Cardiopulmonary Resuscitation (CPR), Car Seat Check-ups, Fire Safety presentations and Station tours are all examples of programs that allow the Fire Department to interact with the community. The Fire Department offers Cardiopulmonary Resuscitation (CPR) instruction to City of Beachwood personnel, residents and employees of local businesses. The department conducts several CPR programs throughout the year. All programs act in accordance with the American Heart Association guidelines. The most significant way the Fire Department can impact its customers is through its Fire Safety presentations. These presentations are tailored to the target audience and a specific subject area. The foundation of all Fire Department presentations is to entertain, inform and prevent potential disasters to our customers. Station tours give the public a unique opportunity to meet members of the department and to see daily operations. Visitors are allowed total access to department vehicles and are encouraged to ask questions.

The City of Beachwood's Fire Department is committed to providing the public with informative programs in a professional manner. The department will continue to look for ways to expand their services and develop new public education programs for the community.

### ***Public Service Improvements/Programs***

In 2002, the City continued an aggressive program to improve infrastructure within the City.

Projects for 2002 included North Woodland Road, Ramsay Road, Fairmont Boulevard sanitary sewers, paving of Allen Boulevard, Brandon Road and Halburton Road road repair and resurfacing, Edgehill Drive reconstruction and water main replacement and the realignment of the intersection of Richmond Road and Bryden Road including widening and resurfacing of Bryden Road from Richmond Road to Halburton Road. In addition, the City of Beachwood's Service Department continued its annual sewer repair program and the City's concrete crew continued to perform routine street and sidewalk maintenance and repairs.

In addition to its infrastructure program, the City of Beachwood's Service Department continued its aggressive pursuit with regards to environmental issues. The environmentally conscious direction of the Mayor and Council, supported by the efforts of trained Service Department personnel, led to the City's certification as a "Tree City USA," an award presented by the National Arbor Day Foundation. The year 2002 marked the seventh consecutive year the City has received this award. As part of this program, the City planted 333 trees throughout the City.

The City also actively promotes its "Blue Bag" recycling program in conjunction with its rubbish collection. The City continues to provide rubbish collection to its residential community at no cost to the residents.

### ***Community Programs***

The City's Community Services Department offers a vast array of programs to the community through the Recreation and Human Service Divisions. Some of the more popular programs are the Recreation Division's Summer Camps and Sports Programs, which includes Baseball/Softball and Soccer. These programs are routinely filled. In 2002, Recreation programs had in excess of 6,000 participants.

The Human Service Department offers a monthly Senior Day out program that is very popular with the senior citizens of the community. This program offers seniors a lunch along with entertainment or an educational speaker. Other programs offered by Human Services include an overnight trip to the Chautauqua Institute and numerous one-day trips to theatre and other entertainment activities. In 2002, Human Service programs had in excess of 2,000 participants.

Annually, the Community Services Department host Family Fun Day and Honkin' Haulin' Hands-On Trucks. Family Fun Day features food, entertainment, amusement rides, and carnival games. Honkin' Haulin' Hands-On Trucks offers residents an opportunity to see and learn about the various vehicles used by the City's Police, Fire, and Service Departments. Both of these events are well attended and highly successful with the community.

The Human Service Department also offers a transportation program through the use of City vans to transport seniors to doctor appointments, shopping or other appointment needs. Presently, the vans provide an average of 44 round trips per day to in excess of 600 registered van riders.

The City now has access to a Government Channel through Adelphia Cable. The City hopes to begin broadcasting community events and bulletins in 2003.

## **FUTURE PROJECTS AND PROGRAMS**

As the City of Beachwood looks toward the future, the City Government has initiated plans to accommodate growth in the business and residential communities through an extensive expansion of facilities. The City Master Plan, a project started in 1998, provided for an evaluation of the effectiveness and efficiency of all aspects of City operations. The results of the research indicated that the City should undertake the following four major projects to protect the high level of public services Beachwood commercial and residential citizens have come to expect and enjoy: a new fire station, new tennis courts, expansion and renovation of the municipal service center and construction of a community center and park. In 2002, it became apparent that the City's existing pool was in need of major repair or replacement. At that time, a decision was made to replace the existing pool with the new Beachwood Family Aquatic Center, which became the fifth project in the master plan. The new fire station and new tennis courts have been completed and the new Beachwood Family Aquatic Center is on schedule to open in June of 2003.

The renovation and expansion of the municipal service center will provide needed administrative space for future growth of the City. The City has hired City Architecture to design and develop this project. The design and development has been completed and it is anticipated that construction will begin in June 2003.

The proposed community center and park will be located on the approximately 52 acres of land the City owns between the two Shaker Boulevards. The firm of Schmidt Copeland Parker Stevens was hired to plan and develop this project. Due to the addition of the new Beachwood Family Aquatic Center to the Master Plan, the construction of the proposed community center and park has been delayed. It is anticipated that some passive recreation improvements will begin in 2003.

Related to the Master Plan development, the impact of the future projects in Chagrin Highlands played a major role in how growth in the City would be accommodated and managed. Upon completion of office park construction, projected to continue over the next twenty years, as many as 20,000 new workers are expected to obtain employment in Chagrin Highlands. Tax revenue from these employees should enhance annual tax collections substantially for the City.

An integral consideration of the Master Plan was to provide for a quality level of services for the influx of new employees anticipated to fill positions in Chagrin Highlands enterprises. Over the next twenty years, construction in Chagrin Highlands will increase the volume of commercial office space in Beachwood from 3.2 million to 5.2 million square feet.

## **FINANCIAL INFORMATION**

### ***Accounting Policies and Budgetary Control***

In 1997, the City of Beachwood converted its financial reporting from a cash basis to one in accordance and conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The City utilizes a modified accrual basis of accounting for all governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction may be determined and available means collectible within the current year or in the subsequent year in sufficient time to pay liabilities of the current year. The available period for the City is sixty days after year-end.

The accrual basis of accounting is utilized for reporting purposes by the two City-wide statements and the private purpose trust fund. Under this basis of accounting revenues are recognized when earned and expenses are recorded as incurred. Use of this method of accounting enables City management to maximize decision making capabilities through a more efficient and consistent reporting system which allows current and past year opening information to be compared effectively.

The budgetary process is conducted in accordance with requirements stipulated in the Ohio Revised Code and the City Charter and related ordinances. Major documents associated with budget preparation include: the City Tax Budget, the Certificate of Estimated Resources (filed with the Cuyahoga County Auditor) and the Appropriation Ordinance. All budget documents are prepared in compliance with the budgetary basis of accounting. Both the Certificate of Estimated Resources and the Appropriation Ordinance are subject to revision and amendment throughout the fiscal year; both are subject to the restriction that current appropriations cannot exceed estimated resources as disclosed on the Certificate of Estimated Resources. In accordance with State law, all funds, with the exception of agency funds, are legally required to be budgeted and appropriated. Council controls budgeted appropriations at the department level for the General Fund and at the fund level for all other funds. Modifications or amendments to control levels in the Appropriation Ordinance require Council approval; internal City financial policies permit fund transfers within control levels with approval by the Mayor and Finance Director.

The City employs an encumbrance system documenting purchase commitment amounts prior to generation and release of official City purchase orders. Purchasing practices within the City require departmental review and authorization of all purchase requisitions prior to presentation to the Purchasing Department. Where applicable, proposed purchases in excess of administrative approval limits are subject to competitive bid requirements of Council and are awarded subsequent to approved legislation authorizing the procurement of goods or services. The Finance Director certifies all purchase orders for availability of funds and the estimated expenditure is encumbered against the appropriate departmental or fund appropriation.

Annual appropriations for the current year are determined by Council action on or before January 15 and are set as approved amounts in the City's computerized financial system. Any transfers or disbursements of cash between approved funds require appropriation authority and the approval of Council. Council previously approved a Chart of Accounts developed by the Finance Director, the content of which details funds, major revenue and expense classes and objects used in preparation of City financial statements and reports.

### ***Internal Accounting and Reporting Control***

In an effort to improve the level and efficiency of internal accounting controls, the City created a full-time position of Audit Director in 1998. The Audit Director reviews all financial operations of the City and also conducts periodic reviews of other aspects of administrative performance to develop recommendations for management and Council. In conjunction with ongoing evaluations conducted by the Mayor and Finance Director, the Audit Director assists in reviewing internal accounting controls, policies and procedures to insure that City management is exercising due diligence in conducting financial and administrative operations.

The Office of the Auditor of the State of Ohio audits the financial records annually. The City management team reviews the findings and recommendations of the State Auditor and determines appropriate action to improve performance controls and to promote efficient financial operations conducted in the best interests of the commercial and residential citizens of the City.

Through the use of a computerized financial accounting and reporting system, the City has implemented a series of strong internal controls which provide a reasonable, but not absolute, assurance with respect to the safeguarding of City assets against losses resulting from unauthorized use or disposal. Such assurances also pertain to the reliability of the financial records utilized to prepare financial statements and maintain accountability of assets. The framework of the City's internal control system was structured using the concept of reasonable assurance, a concept that recognizes that the cost of a control should not exceed the expected benefits likely to be derived from its implementation.

This concept also recognizes that the evaluation of costs and benefit require the preparation of estimates and judgments by City management. Based on the level of existing controls, and with consideration to the ongoing control review process conducted by City management and the State Auditor, we are confident that the City's internal accounting controls sufficiently safeguard City assets and provide for reasonable assurance of the proper recording and reporting of City financial transactions.

### ***Financial Reporting***

The City has prepared financial statements under the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements—and 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:

*Governmental-wide financial statements* These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by business enterprises. The government-wide statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The City has no business type activities.

*Fund financial statements* These statements present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting. The City has no proprietary funds.

*Statement 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 new reporting model, management is responsible for preparing Management's Discussion and Analysis of the City. This discussion appears after the Report of Independent Accountants in the financial section of this report. Management's Discussion and Analysis provides an assessment of the City's finances for 2002. Because that discussion focuses on major funds, other nonmajor funds are discussed briefly in this letter.

### ***Financial Highlights – Fiduciary Fund***

The trust fund carried on the financial records of the City is a Leo Weiss private purpose trust fund that has net assets totaling \$1,124.

## **CASH MANAGEMENT**

Cash management is a vital component in the City of Beachwood's overall financial strategy. The primary objective of the City's investment activity is the preservation of capital and the protection of investment principal. A prudent investment program is maintained to assure the overnight and over-the-weekend investments of all possible dollars, as well as longer term investments. In addition to the security of the investment, a major consideration is the timing of needed cash to pay City liabilities. Cash resources of all City funds are combined for maximum return and are invested in accordance with the Ohio Revised Code. Allowable deposits and investments include certificates of deposit, savings accounts, State Treasurer's Investment Pool (STAROhio), manuscript bonds, U.S. Treasury Notes, federal agency securities, and repurchase agreements.

## **RISK MANAGEMENT**

The City carries general insurance through Scottsdale Indemnity Company and Philadelphia Indemnity Insurance Company. In 2002 insurance premiums were \$187,959.

The City carries a \$1,000,000/\$3,000,000 comprehensive general liability (including employee benefits and EMT liability) insurance policy with \$2,500 deductible and \$10,000,000 umbrella over its comprehensive general liability, automobile, law enforcement liability, and public officials liability. The City also carries a \$1,000,000 law enforcement liability insurance policy with a \$10,000 deductible. Other coverage carried by the City includes property, inland marine, crime, boiler and machinery, and public officials (including fire department errors and omissions).

A \$100,000 blanket bond covers all employees of the City of Beachwood, except for the Finance Director, Mayor, and Tax Administrator. Individual bonds in the amount of \$100,000, \$10,000 and \$100,000 cover the Finance Director, Mayor, and Tax Administrator respectively.

The City pays the Ohio Bureau of Workers' Compensation System (OBWC) a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. In 2002, the City paid \$55,181 to the OBWC.

## **INDEPENDENT AUDIT**

In accordance with Ohio law, independent audits are required to be performed on all financial operations of the City. Either the Auditor of the State of Ohio or, if the Auditor permits, an independent public accounting firm conducts these audits. The Beachwood City Council selected the Auditor of State's Office to perform these services for the year 2002. This report is presented in the Financial Section.

## **AWARDS**

### ***GFOA Certificate of Achievement for Excellence in Financial Reporting***

The Government Finance Officers Association of the United States and Canada (GFOA) award a Certificate of Achievement for Excellence in Financial Reporting for a Comprehensive Annual Financial Report. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting standards and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The 2001 CAFR received the Certificate of Achievement and we believe our current report will conform to the requirements and standards of the Certificate of Achievement Program. Thus, we are submitting the 2002 Comprehensive Annual Report to the GFOA for award consideration.

### ***GFOA Outstanding Achievement in Popular Annual Financial Reporting***

The Government Finance Officers Association of the United States and Canada (GFOA) award a Certificate of Outstanding Achievement for Excellence in Popular Annual Financial Reporting for a Popular Annual Financial Report. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only.

### ***Tree City USA***

Beachwood received its seventh consecutive Tree City U.S.A. award for the year ended December 31, 2002. This prestigious award from the National Arbor Day Association presented through the Ohio Department of Natural Resources recognizes the City for its annual program of tree planting and maintenance.

### **ACKNOWLEDGMENTS**

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 who have spent their time and energy on various parts of the project and to Local Government Services for their assistance in helping the City prepare this report in conformity with generally accepted accounting principles (GAAP) and the requirements of the Government Finance Officers Association.

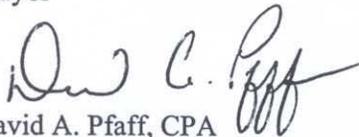
In addition, we would like to thank Beachwood City Council, without whose positive leadership and encouragement, the preparation of this report would not have been possible.

In closing, we would like to thank the residents and taxpayers of the City of Beachwood for entrusting us with the administration of their local government.

Respectfully submitted,



Merle S. Gorden  
Mayor



David A. Pfaff, CPA  
Director of Finance

**City of Beachwood, Ohio**

*City Officials - as of December 31, 2002*

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***Elected Officials***

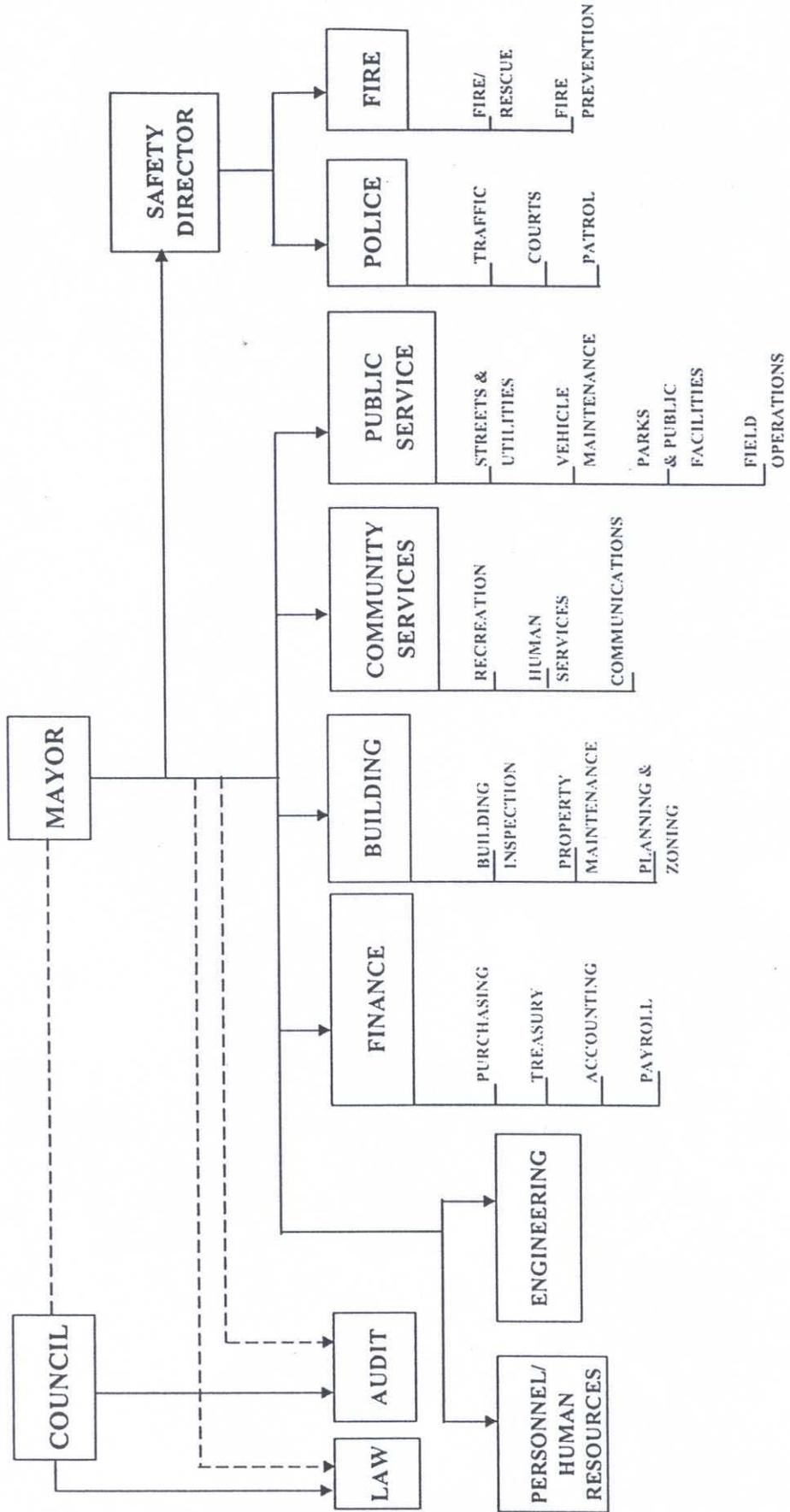
Mayor-Safety Director..... Merle S. Gorden  
President of Council ..... Martin D. Arsham  
Council Member ..... Saul Eisen  
Council Member ..... Fredric S. Goodman  
Council Member ..... Melvin M. Jacobs  
Council Member ..... Kenneth W. Kleinman  
Council Member ..... Mark Mintz  
Council Member ..... Mark I. Wachter

***Appointed Officials***

Finance Director ..... David A. Pfaff  
Police Chief ..... Mark S. Sechrist  
Fire Chief ..... William S. Kaselak  
Service Director ..... Dale H. Pekarek  
Building Commissioner ..... John D. Korinek  
Clerk of Courts ..... Gina M. Benadum  
Community Service Director ..... Karen A. Carmen  
Law Director ..... Margaret Anne Cannon  
City Auditor ..... Harvey S. Rose  
Staff Engineer ..... Thomas S. Kreczko  
Clerk of Council ..... Carol E. Vinyard

# CITY OF BEACHWOOD

## Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Beachwood,  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2001

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.



*William Patrick Vasta*

President

*Jeffrey R. Emer*

Executive Director

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

City of Beachwood  
Cuyahoga County  
2700 Richmond Road  
Beachwood, Ohio 44122

To the Members of City Council

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Beachwood, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Beachwood, Cuyahoga County, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the City restated the January 1, 2002 Capital Improvements fund balance.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

**Betty Montgomery**  
Auditor of State

May 27, 2003

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2002*  
*Unaudited*

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The discussion and analysis of the City of Beachwood's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2002. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, the basic financial statements and the accompanying notes to those financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key financial highlights for 2002 are as follows:

- The City's total net assets increased by \$4,538,912 or 4.5 percent as a result of this year's operations.
- Total assets increased by \$4,156,197 or 3.5 percent over 2001 assets. The increase is largely due to an increase in capital assets and special assessment receivables.
- Total current liabilities decreased by \$6,048,506 or 56.8 percent from 2001. This was primarily due to the retirement of short-term notes in 2002.
- The City issued \$6,000,000 in general obligation and special assessment bonds.
- The general fund transferred \$7,000,000 to the capital improvements capital projects fund in order to fund the Master Plan projects.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements some of which focus on the City as a whole (government-wide) and some of which focus on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

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

### ***Reporting the City of Beachwood as a Whole***

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

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question.

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2002*  
*Unaudited*

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These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

From the Statement of Net Assets, you can determine what the City's current financial position is by subtracting total liabilities (what the City owes) from total assets (what the City owns). Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial health is improving or deteriorating. From the Statement of Activities, you can determine what the cost of governmental services are and how much of that cost is financed by taxpayers, where the City gets its money from and how it is used, whether the City is better or worse off financially and why and will the City be able to finance services in the future. Other non-financial factors such as changes in the City's property tax base, income tax base and the condition of the City's capital assets should be considered to assess the overall health of the City.

***Reporting on the Most Significant Funds of the City of Beachwood***

***Fund Financial Statements***

The fund financial statements which begin on page 14, provide detailed information about the City's major funds and include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. These statements tell how City services charged to major funds were financed in the short-term as well as what remains for future spending. For the City of Beachwood, the most significant governmental funds are the General Fund, Bond Retirement Fund and Capital Improvements Fund.

All of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the fund financial statements.

**The City of Beachwood as a Whole**

***Statement of Net Assets***

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. Table 1 provides a summary of the City's net assets for 2002 and 2001.

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2002*  
*Unaudited*

**Table 1**  
**Net Assets**

	Governmental Activities	
	2002	2001
<b>Assets</b>		
Current and Other Assets	\$63,179,776	\$62,214,871
Nondepreciable Capital Assets, Net	10,357,015	10,896,948
Depreciable Capital Assets, Net	49,436,101	45,704,876
<i>Total Assets</i>	<u>122,972,892</u>	<u>118,816,695</u>
<b>Liabilities</b>		
Current and Other Liabilities	4,602,981	10,651,487
Long-Term Liabilities:		
Due Within One Year	1,213,095	478,870
Due in More than One Year	12,224,235	7,292,669
<i>Total Liabilities</i>	<u>18,040,311</u>	<u>18,423,026</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	47,734,116	44,084,204
Restricted:		
Capital Projects	29,308,735	27,726,272
Debt Service	8,666,431	7,086,749
Other Purposes	789,148	919,288
Unrestricted	18,434,151	20,577,156
<b>Total Net Assets</b>	<u><u>\$104,932,581</u></u>	<u><u>\$100,393,669</u></u>

Total assets increased by \$4,156,197 which can be attributed to an increase in capital assets and special assessment receivables.

Current liabilities decreased by \$6,048,506 or 56.8 percent which is primarily due to \$6,000,000 in notes payable at December 31, 2001. These notes were retired in 2002.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by covenants, enabling legislation or other legal requirements. In 2002, unrestricted net assets decreased by \$2,143,005.

The City's financial position improved from 2001 to 2002 as indicated by the increase in total net assets for governmental activities of \$4,538,912.

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2002 and 2001 and corresponds to the Statement of Activities.

	<u>2002</u>	<u>2001</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$1,530,717	\$1,530,325
Operating Grants and Contributions	330,391	335,413
Capital Grants	2,179,686	69,119
General Revenues		
Property Taxes	3,455,267	3,464,924
Municipal Income Tax	15,334,871	15,532,281
Grants and Entitlements	3,182,728	4,617,259
Investment Earnings	2,454,536	3,084,949
Gain on Sale of Capital Assets	7,206	20,469
Other	210,033	380,164
Total Revenues	<u>28,685,435</u>	<u>29,034,903</u>
<b>Program Expenses</b>		
General Government:		
Legislative and Executive	2,695,883	2,644,334
Public Safety:		
Police	5,875,828	5,627,976
Fire	4,078,613	4,465,052
Public Service	8,147,093	8,367,104
Health and Welfare	482,859	371,027
Culture and Recreation	1,295,346	1,724,729
Building and Community Development	986,127	925,213
Interest and Fiscal Charges	584,774	529,908
Total Expenses	<u>24,146,523</u>	<u>24,655,343</u>
Increase in Net Assets	<u>\$4,538,912</u>	<u>\$4,379,560</u>

Although Table 2 indicates that total 2002 revenues exceeded total expenses by \$4,538,912, it does indicate that almost every revenue category decreased from 2001 to 2002. The decrease can be attributed to the sluggish economy which is expected to continue through 2003. The most significant decrease in 2002 revenue is a \$1,434,531 decrease in grants and entitlements. This decrease can be attributed to a \$1,283,792 decrease in estate taxes received.

Capital grant program revenue increased by \$2,110,567. This increase is due to the \$2,150,000 special assessment levy. Total program expenses decreased slightly, decreasing only \$508,820 or approximately 2.06 percent.

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

***Governmental Activities***

Several revenue sources fund our governmental activities with income tax revenue being the largest source. The City levies a municipal income tax of 1.5 percent on all income earned within the City as well as on income of residents earned outside of the City. The City gives a 100 percent credit for taxes paid to another municipality on income earned outside of the City. On a full accrual basis, the City received \$15,334,871 in income tax collections or 53.5 percent of total 2002 revenue. Other significant sources of revenue include property taxes and grants and entitlements of which the City received \$3,455,267 and \$3,182,728 respectively in 2002. Grants and entitlement revenue consists of the homestead and rollback exemptions and estate taxes.

The City's strong commercial employment tax base has provided for a consistent level of withholding tax collections. This strong base has enabled the City to enjoy increased collections during economically strong periods, while at the same time maintaining fairly level collections during economic downturns. Over the last five years, income tax revenue averaged an annual increase of 4.8 percent. In 2002, income tax revenue decreased by 1.27 percent. In an effort to maintain and increase the commercial tax base, the City has entered into an agreement with the Beachwood Chamber of Commerce to provide economic development services.

The following schedule presents a summary of governmental activity expenses and the net cost of providing these services (excluding general revenues).

**Table 3**  
**Governmental Activities**

	Total Cost of Services 2002	Net Cost of Services 2002	Total Cost of Services 2001	Net Cost of Services 2001
General Government:				
Legislative and Executive	\$2,695,883	(\$2,619,682)	\$2,644,334	(\$2,290,801)
Public Safety:				
Police	5,875,828	(5,791,017)	5,627,976	(5,582,343)
Fire	4,078,613	(4,075,573)	4,465,052	(4,461,442)
Public Services	8,147,093	(5,430,026)	8,367,104	(7,976,571)
Health and Welfare	482,859	(482,859)	371,027	(263,705)
Culture and Recreation	1,295,346	(646,708)	1,724,729	(1,310,500)
Building and				
Community Development	986,127	(475,090)	925,213	(305,216)
Interest and Fiscal Charges	584,774	(584,774)	529,908	(529,908)
	<u>\$24,146,523</u>	<u>(\$20,105,729)</u>	<u>\$24,655,343</u>	<u>(\$22,720,486)</u>

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2002*  
*Unaudited*

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The negative amounts indicated in Table 3 should not be construed as something bad; they are merely indicative of whether a particular function of government relies on general revenues for financing or is a net contributor of resources to the general government. In future years, this information will be more meaningful as a history of net cost differences will allow an assessment of whether a particular program is relying more or less on general revenues. Also, the City will be able to use the information to determine if citizens are receiving a good value in public services in return for tax dollars and user fees.

Public safety expenses totaled \$9,954,441 or 41.2 percent of total 2002 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. As of December 31, 2002 the City employed 42 full time police officers and 33 full time firefighters. Other significant expenses include public service expenses which totaled \$8,147,093 or 33.7 percent of total expenses. Besides salaries and benefits, the majority of public service expenses consisted of expenses for infrastructure rehabilitation and reconstruction.

### **The City's Funds**

Information about the City's major governmental funds begins on page 14. Total revenue and expenditures for the general fund (on a modified accrual basis) are \$25,352,094 and \$20,187,318 respectively. The \$5,164,776 excess of revenues over expenditures indicates that the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole. The general fund balance decreased by \$1,835,224 which is due to the \$7,000,000 transfer to the capital improvements capital projects fund. Fund balance still represents about 85 percent of this year's expenditures.

### ***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control for the City is at the department level for the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by ordinance of City Council. City policy permits fund transfers within control levels with the approval of the Mayor and Finance Director. During the course of 2002, the City amended its general fund budget several times. In addition to day-to-day budget monitoring, the Finance Director closely examines the budget with the preparation of the monthly financial statements and quarterly budget analysis reports.

For the general fund, original budgeted revenues were \$24,450,476; final budget amounts were \$25,374,063; and actual revenue collections were \$26,539,193. The majority of the increase in actual revenue over the original and final budgeted amounts is due to municipal income taxes, estate taxes and interest. Due to the uncertainty of the economy, each of these revenue classifications was conservatively budgeted. The City's ending unencumbered cash balance in the general fund was \$3,210,450 above the final budgeted amount.

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2002*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 compares capital assets as of December 31, 2002 to balances at December 31, 2001.

**Table 4**  
**Capital Asset at December 31**  
**(Net of Depreciation)**

	Governmental Activities	
	2002	2001
Land	\$9,316,036	\$9,316,036
Land Improvements	1,576,334	322,229
Construction in Progress	1,040,979	1,580,912
Buildings and Improvements	11,166,894	11,360,734
Vehicles	2,075,796	2,155,767
Furniture and Equipment	1,696,886	1,382,207
Infrastructure		
Streets	27,672,130	26,395,693
Water Lines	2,478,624	2,415,632
Sanitary Sewers	1,595,085	715,188
Storm Sewers	1,174,352	957,426
<i>Totals</i>	\$59,793,116	\$56,601,824

Total capital assets (net of accumulated depreciation) as of December 31, 2002 were \$59,793,116, which is an increase of \$3,191,292 over 2001 capital assets. The most significant increases were in streets and land improvements. The increase in streets is due to various street reconstruction and rehabilitations and the increase in land improvements is due to the completion of the tennis courts and the parking lot.

During 2002 the new Municipal Tennis Courts were completed. This resulted in a \$1,580,912 reduction to Construction in Progress. Additionally, the initial construction of the new Beachwood Family Aquatic Center began in the fall of 2002. The initial phase of this project was the removal of the existing Municipal Pool. The removal of the old Municipal Pool and Tennis Courts resulted in the \$592,893 reduction to Land Improvements. Finally, the City disposed of various vehicles totaling \$214,449. The majority of these vehicles were Police and Service Department vehicles which were replaced with the purchase of new vehicles.

Each year the Service Director and Staff Engineer review the condition of the City's infrastructure and determine what work needs to be completed. The projects are then prioritized and submitted to the Mayor. During the budget process, the Mayor, Finance Director and Service Director determine which projects will be budgeted for the following year. See Note 9 to the basic financial statements for more information regarding the City's capital assets.

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2002*  
*Unaudited*

***Debt***

Table 5 summarizes outstanding debt at December 31, 2002 compared to December 31, 2001.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2002	2001
General Obligation Bonds	\$3,850,000	\$0
Special Assessment Bonds	8,209,000	6,505,000
Various Improvement Note	0	2,000,000
Fire Note	0	4,000,000
<i>Totals</i>	\$12,059,000	\$12,505,000

In 2002, the City issued \$3,850,000 in general obligation bonds for the construction of the fire station and \$2,150,000 in special assessment bonds for the construction of Spectrum Parkway and Auburn Drive. The general obligation bonds will be paid out of the debt service fund with funds transferred from the general fund. The special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. See Notes 14 and 15 to the basic financial statements for more information regarding the City's outstanding debt.

**Current Financial Related Activities**

The City's budget for 2003 anticipates the current economic downturn will continue throughout 2003. Most of the major revenue sources for the City have been budgeted at an amount less than what was actually received in 2002. When preparing the 2003 budget, the Mayor asked department directors to request minimal increases, excluding salaries and benefits, from the 2002 budget. Excluding salaries and benefits, total general fund 2003 appropriations increased slightly by approximately 1.1 percent. The majority of the increase is due to the economic development agreement between the City and the Beachwood Chamber of Commerce.

Because of the City's strong financial position and the City's commitment to protecting the level of services afforded all citizens, the current economic downturn has had and will continue to have little or no impact to the services provided to residents.

In order to maintain services provided to citizens and improve the economic and operational efficiency of the City, the City has been focused on facility expansion issues. In 2001, the City completed construction on a new Fire Station and eight new tennis courts. In 2002, construction began on the new Beachwood Family Aquatic Center. Additionally, the City has been proactive in the maintenance and upkeep of its infrastructure. For the past six years, the City has averaged approximately \$4,000,000 annually for infrastructure maintenance and reconstruction. For 2003, approximately \$4,120,000 has been budgeted for infrastructure improvements.

**City of Beachwood, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2002*  
*Unaudited*

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**Contacting the City's Finance Department**

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David A. Pfaff, CPA, Finance Director at the City of Beachwood, 2700 Richmond Road, Beachwood, Ohio 44122, 216-292-1913, or email at [david.pfaff@beachwoodohio.com](mailto:david.pfaff@beachwoodohio.com).

**City of Beachwood, Ohio***Statement of Net Assets**December 31, 2002*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$46,511,290
Cash and Cash Equivalents in Segregated Accounts	50
Investments	24,000
Materials and Supplies Inventory	375,177
Accrued Interest Receivable	10,471
Accounts Receivable	118,507
Intergovernmental Receivable	1,203,580
Prepaid Items	172,296
Taxes Receivable	6,495,985
Special Assessments Receivable	8,268,420
Nondepreciable Capital Assets	10,357,015
Depreciable Capital Assets, Net	<u>49,436,101</u>
<i>Total Assets</i>	<u>122,972,892</u>
<b>Liabilities</b>	
Accounts Payable	293,079
Accrued Wages and Benefits	494,176
Compensated Absences Payable	7,475
Intergovernmental Payable	792,087
Deferred Revenue	2,575,121
Retainage Payable	382,328
Accrued Interest Payable	58,715
Long-Term Liabilities:	
Due Within One Year	1,213,095
Due In More Than One Year	<u>12,224,235</u>
<i>Total Liabilities</i>	<u>18,040,311</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	47,734,116
Restricted for:	
Capital Projects	29,308,735
Debt Service	8,666,431
Other Purposes	789,148
Unrestricted	<u>18,434,151</u>
<i>Total Net Assets</i>	<u><u>\$104,932,581</u></u>

See accompanying notes to the basic financial statements

**City of Beachwood, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2002

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Assessments	Governmental Activities
<b>Governmental Activities</b>					
General Government:					
Legislative and Executive	\$2,695,883	\$76,201	\$0	\$0	(\$2,619,682)
Public Safety:					
Police	5,875,828	84,811	0	0	(5,791,017)
Fire	4,078,613	3,040	0	0	(4,075,573)
Public Services	8,147,093	206,990	330,391	2,179,686	(5,430,026)
Health and Welfare	482,859	0	0	0	(482,859)
Culture and Recreation	1,295,346	648,638	0	0	(646,708)
Building and					
Community Development	986,127	511,037	0	0	(475,090)
Interest and Fiscal Charges	584,774	0	0	0	(584,774)
<i>Total Governmental Activities</i>	<u>\$24,146,523</u>	<u>\$1,530,717</u>	<u>\$330,391</u>	<u>\$2,179,686</u>	<u>(20,105,729)</u>
<b>General Revenues</b>					
Property Taxes Levied for					
					3,259,792
					195,475
Municipal Income Taxes Levied for					
					15,334,871
Grants and Entitlements not Restricted					
					3,182,728
					2,454,536
					7,206
					210,033
<i>Total General Revenues</i>					<u>24,644,641</u>
					4,538,912
					<u>100,393,669</u>
					<u>\$104,932,581</u>

See accompanying notes to the basic financial statements

**City of Beachwood, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2002*

	General	Bond Retirement	Capital Improvements
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$15,617,984	\$432,726	\$29,803,755
Cash and Cash Equivalents In Segregated Accounts	50	0	0
Investments	0	24,000	0
Taxes Receivable	6,292,246	0	0
Accounts Receivable	118,507	0	0
Intergovernmental Receivable	1,074,208	0	0
Interfund Receivable	1,500	0	0
Accrued Interest Receivable	10,471	0	0
Materials and Supplies Inventory	375,177	0	0
Prepaid Items	172,296	0	0
Special Assessments Receivable	0	8,268,420	0
<i>Total Assets</i>	<u>\$23,662,439</u>	<u>\$8,725,146</u>	<u>\$29,803,755</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$174,235	\$0	\$112,692
Accrued Wages and Benefits	494,176	0	0
Intergovernmental Payable	166,891	0	0
Compensated Absences Payable	7,475	0	0
Interfund Payable	0	0	0
Retainage Payable	0	0	382,328
Deferred Revenue	4,316,188	8,268,420	0
<i>Total Liabilities</i>	<u>5,158,965</u>	<u>8,268,420</u>	<u>495,020</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	1,200,590	0	7,048,207
Unreserved			
Undesignated, Reported in:			
General Fund	17,302,884	0	0
Special Revenue Funds	0	0	0
Debt Service Fund	0	456,726	0
Capital Projects Fund	0	0	22,260,528
<i>Total Fund Balances</i>	<u>18,503,474</u>	<u>456,726</u>	<u>29,308,735</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$23,662,439</u>	<u>\$8,725,146</u>	<u>\$29,803,755</u>

See accompanying notes to the basic financial statements

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

Other Governmental Funds	Total Governmental Funds	<b>Total Governmental Fund Balances</b>	\$48,939,472
\$656,825	\$46,511,290	<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
0	50	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	59,793,116
0	24,000	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	
203,739	6,495,985	Property Taxes	141,380
0	118,507	Intergovernmental	567,419
129,372	1,203,580	Special Assessments	8,268,420
0	1,500	Municipal Income Taxes	1,283,971
0	10,471	Charges for Services	60,044
0	375,177		
0	172,296	Total	10,321,234
0	8,268,420		
\$989,936	\$63,181,276	Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(625,196)
\$6,152	\$293,079	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due.	
0	494,176	Long-term liabilities, including bonds and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(58,715)
0	166,891	Special Assessment Bonds	(8,209,000)
0	7,475	General Obligation Bonds	(3,850,000)
1,500	1,500	Compensated Absences	(1,378,330)
0	382,328		
311,747	12,896,355	Total	(13,437,330)
319,399	14,241,804	<i>Net Assets of Governmental Activities</i>	\$104,932,581
282,555	8,531,352		
0	17,302,884		
387,982	387,982		
0	456,726		
0	22,260,528		
670,537	48,939,472		
\$989,936	\$63,181,276		

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

	General	Bond Retirement	Capital Improvements
<b>Revenues</b>			
Property and Other Taxes	\$3,253,198	\$0	\$0
Municipal Income Taxes	15,456,366	0	0
Charges for Services	715,656	0	0
Fines, Licenses, and Permits	718,077	0	0
Intergovernmental	2,975,563	0	0
Special Assessments	0	416,238	25,184
Interest	2,025,431	330,535	68,622
Other	207,803	0	2,230
<i>Total Revenues</i>	<u>25,352,094</u>	<u>746,773</u>	<u>96,036</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	2,444,944	0	0
Public Safety:			
Police	5,611,953	0	0
Fire	3,788,238	0	0
Public Services	5,555,075	0	0
Health and Welfare	461,467	0	0
Culture and Recreation	1,386,484	0	0
Building and Community Development	939,157	0	0
Capital Outlay	0	0	5,371,032
Debt Service:			
Principal Retirement	0	446,000	0
Interest and Fiscal Charges	0	488,952	85,073
<i>Total Expenditures</i>	<u>20,187,318</u>	<u>934,952</u>	<u>5,456,105</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,164,776</u>	<u>(188,179)</u>	<u>(5,360,069)</u>
<b>Other Financing Sources (Uses)</b>			
General Obligation Bonds issued	0	0	3,850,000
Special Assessment Bonds Issued	0	0	2,150,000
Transfers In	0	0	7,000,000
Transfers Out	(7,000,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(7,000,000)</u>	<u>0</u>	<u>13,000,000</u>
<i>Net Change in Fund Balances</i>	(1,835,224)	(188,179)	7,639,931
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>20,338,698</u>	<u>644,905</u>	<u>21,668,804</u>
<i>Fund Balances End of Year</i>	<u><u>\$18,503,474</u></u>	<u><u>\$456,726</u></u>	<u><u>\$29,308,735</u></u>

See accompanying notes to the basic financial statements

**City of Beachwood, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2002*

Other Governmental Funds	Total Governmental Funds		
\$194,670	\$3,447,868	<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$5,504,928
0	15,456,366	<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
0	715,656	Governmental funds report capital outlays as expenditures	
14,819	732,896	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
370,984	3,346,547	This is the amount by which capital outlays exceeded depreciation in the current period.	
22,121	463,543	Fixed Asset Additions	6,746,192
29,948	2,454,536	Current Year Depreciation	<u>(3,206,264)</u>
0	210,033		
<u>632,542</u>	<u>26,827,445</u>	Total	3,539,928
		Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(348,636)
2,707	2,447,651	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
149,786	5,761,739	Property Taxes	7,399
0	3,788,238	Intergovernmental	166,572
591,649	6,146,724	Special Assessments	1,733,762
0	461,467	Municipal Income Taxes	(121,495)
0	1,386,484	Charges for Services	<u>60,044</u>
0	939,157	Municipal Income Taxes	
0	5,371,032	Total	1,846,282
0	446,000	Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.	
0	574,025	Proceeds of General Obligation Bonds	(3,850,000)
<u>744,142</u>	<u>27,322,517</u>	Proceeds of Special Assessment Bonds	<u>(2,150,000)</u>
		Total	(6,000,000)
<u>(111,600)</u>	<u>(495,072)</u>	Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	446,000
0	3,850,000	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.	
0	2,150,000	Accrued Interest on Bonds	(23,369)
0	7,000,000	Amortization of Premium	<u>12,620</u>
0	<u>(7,000,000)</u>	Total	(10,749)
0	6,000,000	Some expenses reported in the statement of activities do not require the use of current financial payable which represent contractually required pension resources and therefore are not reported as not as expenditures in governmental funds.	
<u>(111,600)</u>	5,504,928	Compensated Absences	(111,791)
		Pension Obligation	<u>(327,050)</u>
<u>782,137</u>	<u>43,434,544</u>	Total	<u>(438,841)</u>
<u>\$670,537</u>	<u>\$48,939,472</u>	Change in Net Assets of Governmental Activities	<u>\$4,538,912</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Taxes	\$3,078,464	\$3,194,749	\$3,308,923	\$114,174
Municipal Income Taxes	14,911,727	15,475,000	15,755,198	280,198
Charges for Services	616,705	640,000	715,656	75,656
Fines, Licenses, and Permits	616,705	640,000	718,027	78,027
Intergovernmental	3,144,027	3,262,789	3,562,540	299,751
Interest	1,927,202	2,000,000	2,256,897	256,897
Other	155,646	161,525	221,952	60,427
<i>Total Revenues</i>	<u>24,450,476</u>	<u>25,374,063</u>	<u>26,539,193</u>	<u>1,165,130</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	2,991,255	3,137,561	2,835,290	302,271
Public Safety:				
Police	5,901,514	6,201,550	5,893,342	308,208
Fire	4,032,309	4,240,107	4,065,117	174,990
Public Services	6,577,775	6,906,396	6,086,978	819,418
Health and Welfare	536,137	562,821	489,271	73,550
Culture and Recreation	1,537,964	1,616,167	1,416,274	199,893
Building and Community Development	1,086,654	1,140,836	1,025,042	115,794
<i>Total Expenditures</i>	<u>22,663,608</u>	<u>23,805,438</u>	<u>21,811,314</u>	<u>1,994,124</u>
<i>Excess of Revenues Over Expenditures</i>	1,786,868	1,568,625	4,727,879	3,159,254
<b>Other Financing Uses</b>				
Transfers Out	<u>(7,000,000)</u>	<u>(7,051,196)</u>	<u>(7,000,000)</u>	<u>51,196</u>
<i>Net Change in Fund Balance</i>	(5,213,132)	(5,482,571)	(2,272,121)	3,210,450
<i>Fund Balance Beginning of Year</i>	15,253,090	15,253,090	15,253,090	0
Prior Year Encumbrances Appropriated	<u>763,509</u>	<u>763,509</u>	<u>763,509</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$10,803,467</u>	<u>\$10,534,028</u>	<u>\$13,744,478</u>	<u>\$3,210,450</u>

See accompanying notes to the basic financial statements

**City of Beachwood, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*December 31, 2002*

	Private Purpose Trust	
	Leo Weiss Trust	Agency
<b>Assets</b>		
Equity Pooled in Cash and Cash Equivalents	\$1,124	\$365,616
<b>Liabilities</b>		
Undistributed Monies	0	\$42,034
Deposits Held and Due to Others	0	323,582
<i>Total Liabilities</i>	0	\$365,616
<b>Net Assets</b>		
Held in Trust for Recreation	\$1,124	

See accompanying notes to the basic financial statements

**City of Beachwood, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Year Ended December 31, 2002*

	Leo Weiss Trust
<b>Additions</b>	
Interest	\$53
<b>Deductions</b>	
Materials and Supplies	40
<i>Change in Net Assets</i>	13
<i>Net Assets Beginning of Year</i>	1,111
<i>Net Assets End of Year</i>	\$1,124

See accompanying notes to the basic financial statements

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

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

The City was incorporated as a village in 1915 and became a city in 1960. The City of Beachwood (“The City”) is a charter municipal corporation, incorporated under the laws of the State of Ohio. The City operates under a “Mayor-Council” form of government. Elected officials include seven council members and a mayor.

***Reporting Entity***

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The Mayor is an elected official who has a fiduciary responsibility for the collection and disbursement of Mayor’s Court fees and fines.

In addition to Mayor’s Court, the City of Beachwood provides the following services: police, fire, emergency medical and ambulance, rubbish collection and street construction, maintenance and repair.

The City participated in one jointly governed organization, the Northeast Ohio Public Energy Council. This organization is described in Note 16 of the Basic Financial Statements.

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

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

***A. Basis of Presentation***

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

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

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**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as either governmental or fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

**General Fund** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Beachwood and/or the general laws of Ohio.

**Bond Retirement Debt Service Fund** The bond retirement debt service fund is used to account for the collection of special assessments levied against benefited properties for the payment of special assessment bond principal, interest and related costs.

**Capital Improvements Capital Projects Fund** The capital improvements capital projects fund accounts for note proceeds and transfers from the general fund to be used for the acquisition, construction or improvement of major capital facilities.

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

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

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***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private purpose trust which accounts for donated monies to provide funds for the Beachwood Men's Softball League. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

***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 and the statements presented for the fiduciary fund are prepared using 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.

***Revenues - Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of 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 exchange on which the tax is imposed takes place. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

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

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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 and motor vehicle license fees), fines and forfeitures, 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. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2002, investments were limited to STAROhio, manuscript bonds, federal national mortgage notes, federal home loan notes, federal farm credit notes, student loan notes, U.S. Treasury Notes, non-negotiable certificates of deposit and repurchase agreements.

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

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, 2002.

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

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Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2002 amounted to \$2,025,431, which includes \$1,195,991 assigned from other City funds.

Investments with an original maturity of three months or less and investments of the cash management pool are presented on the financial statements as cash equivalents.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

***G. Inventory***

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

***H. Capital Assets***

The City's only capital assets are general capital assets. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	5 - 50 years
Vehicles	3 - 25 years
Furniture and Equipment	7 - 10 years
Infrastructure	8 - 50 years

The City's infrastructure consists of streets, water lines, sanitary sewers, and storm sewers.

***I. Interfund Balances***

On the 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.

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

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***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

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

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

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

***L. Fund Balance Reserve***

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 expenditures. As a result, encumbrances are recorded as a reservation of fund balance.

***M. Net Assets***

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

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

***N. Interfund Activity***

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

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

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***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

***P. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***Q. Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the department level for the general fund and at the fund level for all funds. The Finance Director with approval from the Mayor has been authorized to allocate appropriations to the function and object level within each fund. Budgetary statements are presented beyond that legal level of control for information purposes only.

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

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

**Note 3 – Restatement of Fund Balance**

During 2002, it was determined that notes payable and accrued interest payable were misstated due to the note being rolled over prior to the issuance of the December 31, 2001 financial statements to a six month note instead of a one year note. These restatements had the following effect on fund balance as they were previously reported.

	<u>Capital Improvements</u>
Fund Balance, December 31, 2001	\$23,726,272
Notes Payable	(2,000,000)
Accrued Interest Payable	<u>(57,468)</u>
Adjusted Fund Balance, December 31, 2001	<u><u>\$21,668,804</u></u>

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

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**Note 4 - Budgetary Basis of Accounting**

While the City is 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 transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is 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:

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

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

Net Change in Fund Balance	
GAAP Basis	(\$1,835,224)
Net Adjustments for Revenue Accruals	1,173,878
Beginning Fair Value Adjustment for Investments	510,100
Ending Fair Value Adjustment for Investments	(496,879)
Net Adjustments for Expenditure Accruals	(247,369)
Encumbrances	<u>(1,376,627)</u>
Budget Basis	<u><u>(\$2,272,121)</u></u>

**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of

**City of Beachwood, Ohio**  
*Notes to the Basic Financial Statements*  
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deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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. Bond of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is not default of principal, interest, or coupons; and,
3. Obligations of the City.

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

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

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".

**Deposits.** At year-end, the carrying amount of the City's deposits was \$15,804,427 and the bank balance was \$2,999,885. \$363,402 of the bank balance was covered by federal depository insurance. \$2,636,483 was uninsured and uncollateralized.

**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 are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$0	\$5,020,529	\$5,020,529	\$5,020,529
Federal National Mortgage Notes	0	10,140,020	10,140,020	10,140,020
U.S. Treasury Notes	0	5,117,812	5,117,812	5,117,812
Manuscript Bonds	24,000	0	24,000	24,000
Federal Home Loan Notes	0	4,058,861	4,058,861	4,058,861
Federal Farm Credit Notes	0	3,021,785	3,021,785	3,021,785
Student Loan Notes	0	2,081,250	2,081,250	2,081,250
STAROhio	0	0	1,633,396	1,633,396
Total Investments	<u>\$24,000</u>	<u>\$29,440,257</u>	<u>\$31,097,653</u>	<u>\$31,097,653</u>

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

**City of Beachwood, Ohio**  
*Notes to the Basic Financial Statements*  
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A reconciliation between the classification of cash and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$46,878,080	\$24,000
Repurchase Agreements	(5,020,529)	5,020,529
Federal National Mortgage Notes	(10,140,020)	10,140,020
U.S. Treasury Notes	(5,117,812)	5,117,812
Federal Home Loan Notes	(4,058,861)	4,058,861
Federal Farm Credit Notes	(3,021,785)	3,021,785
Student Loan Notes	(2,081,250)	2,081,250
STAROhio	(1,633,396)	1,633,396
	\$15,804,427	\$31,097,653
GASB Statement No. 3		

**Note 6 - Receivables**

Receivables at December 31, 2002, consisted primarily of municipal income taxes, property and other taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

Special assessments expected to be collected in more than one year amount to \$7,727,420 in the Bond Retirement Fund. At December 31, 2002 the amount of delinquent special assessments was \$42,813.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes which became a lien December 31, 2001, are levied after October 1, 2002, and collected in 2003 real property taxes.

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

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

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The tax rate for all City operations for the year ended December 31, 2002, was \$4.00 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property	\$632,001,820
Tangible Personal Property	72,572,661
Public Utility Property	<u>12,348,790</u>
Total Valuation	<u><u>\$716,923,271</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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 at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Beachwood. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002 and for which there is an enforceable legal claim. In the general and police pension funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2002 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

***B. Municipal Income Taxes***

The City levies a municipal income tax of 1.5 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent on the income earned outside of the City and paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the tenth business day of the following month. Income tax revenue is credited entirely to the general fund.

***C. Intergovernmental Receivable***

A summary of intergovernmental receivables follows:

Estate Tax	\$781,676
Local Government Tax	271,855
Homestead and Rollback	140,397
Liquor Permit	<u>9,652</u>
Total	<u><u>\$1,203,580</u></u>

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

**Note 7 - Litigation**

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

**Note 8 – Interfund Transfers and Balances**

The general fund reported an interfund receivable of \$1,500, while the street lights special revenue fund reported an interfund payable of \$1,500. Monies were advanced to pay start up fees for a new program being started by the City.

A transfer of \$7,000,000 was made during calendar year 2002 from the general fund to the capital improvements capital projects fund. This transfer was made to move unrestricted balances to support the capital projects of the City.

**Note 9 – Capital Assets**

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

	Balance 12/31/2001	Additions	Deductions	Balance 12/31/2002
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$9,316,036	\$0	\$0	\$9,316,036
Construction in Progress	1,580,912	1,040,979	(1,580,912)	1,040,979
<i>Total Capital Assets, not being depreciated</i>	<u>10,896,948</u>	<u>1,040,979</u>	<u>(1,580,912)</u>	<u>10,357,015</u>
<i>Capital Assets, being depreciated</i>				
Land Improvements	775,913	1,455,946	(592,893)	1,638,966
Buildings and Improvements	14,030,814	122,843	(112,500)	14,041,157
Vehicles	5,024,304	400,902	(214,449)	5,210,757
Furniture and Equipment	2,477,572	529,137	(51,518)	2,955,191
Infrastructure				
Streets	40,196,838	3,515,130	(113,951)	43,598,017
Water Lines	2,807,036	126,367	0	2,933,403
Sanitary Sewers	857,385	897,045	0	1,754,430
Storm Sewers	1,091,474	238,755	0	1,330,229
<i>Total Capital Assets, being depreciated</i>	<u>\$67,261,336</u>	<u>\$7,286,125</u>	<u>(\$1,085,311)</u>	<u>\$73,462,150</u>

**City of Beachwood, Ohio**  
*Notes to the Basic Financial Statements*  
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	Balance 12/31/2001	Additions	Deductions	Balance 12/31/2002
<i>Less Accumulated Depreciation</i>				
Land Improvements	(\$453,684)	(\$38,796)	\$429,848	(\$62,632)
Buildings and Improvements	(2,670,080)	(282,933)	78,750	(2,874,263)
Vehicles	(2,868,537)	(437,337)	170,913	(3,134,961)
Furniture and Equipment	(1,095,365)	(205,860)	42,920	(1,258,305)
Infrastructure				
Streets	(13,801,145)	(2,138,986)	14,244	(15,925,887)
Water Lines	(391,404)	(63,375)	0	(454,779)
Sanitary Sewers	(142,197)	(17,148)	0	(159,345)
Storm Sewers	(134,048)	(21,829)	0	(155,877)
<i>Total Accumulated Depreciation</i>	<u>(21,556,460)</u>	<u>(3,206,264) *</u>	<u>736,675</u>	<u>(24,026,049)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>45,704,876</u>	<u>4,079,861</u>	<u>(348,636)</u>	<u>49,436,101</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$56,601,824</u>	<u>\$5,120,840</u>	<u>(\$1,929,548)</u>	<u>\$59,793,116</u>

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

General Government:	
Legislative and Executive	\$127,023
Public Safety:	
Police	129,349
Fire	270,743
Public Services	2,633,582
Health and Welfare	13,120
Culture and Recreation	13,163
Building and Community Development	19,284
Total Depreciation Expense	<u>\$3,206,264</u>

## Note 10 - Defined Benefit Pension Plans

### A. Ohio Public Employees Retirement System

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

**City of Beachwood, Ohio**  
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Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer contribution rate for the City was 8.55 percent of covered payroll, decreased from 9.25 percent in 2001. Contributions are authorized by State statute. The City's required contribution to OPERS for the years ended December 31, 2002, 2001 and 2000 were \$526,228, \$535,317 and \$294,665 respectively. The full amount has been contributed for 2001 and 2000. 69.03 percent has been contributed for 2002 with the remainder being presented as "intergovernmental payable" in the governmental activities column of the net assets.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. For 2001, the City contributions were 12 percent for police and 16.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$315,596 and \$377,549 for the year ended December 31, 2002, \$313,642 and \$387,518 for the year ended December 31, 2001 and \$315,915 and \$382,855 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 65.64 percent and 66.48 percent, respectively, have been contributed for 2002 with the remainder being reported as "intergovernmental payable" in the governmental activities column of the statement of net assets.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System or the Ohio Police and Fire Pension Fund are covered by Social Security. As of December 31, 2002, the City's volunteer firefighters, hired after August 3, 1992, and one member of Council are covered by Social Security. The City's liability is 6.2 percent of wages paid.

**Note 11 - 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 as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

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

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

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$307,735. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001 (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

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

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001 the percent used to fund healthcare was 7.5 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$208,159 for police and \$180,062 for fire. The OP&F's total health care expenses for the year ended December 31, 2001, (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

**Note 12 - Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Vacation leave is earned at rates which vary depending upon length of service and standard work week. Vacation leave may be carried over from year to year in an amount up to fifty percent of the annual accrual.

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

City employees earn sick leave at the rate of 4.6 hours per pay period during which the employee is in active pay status, and do not accrue for additional overtime hours worked. Sick leave accrual is based on an 80 hour pay period; employees who do not record 80 hours of work, approved paid leave, or a combination thereof receive a sick leave accrual proportionate to the number of hours worked and approved paid leave hours recorded. Firefighters who are on a 103.4 hour pay period receive sick leave at a rate of 5.97 hours per pay period. Upon death or retirement, employees with accumulated service time of 20 years or more, or administrative employees and service union members who qualify for retirement, at date of termination, under the Public Employees Retirement System and the Ohio Police and Fire Pension Fund, are entitled to convert 33 percent of their unused sick leave balance into a lump sum cash payment to be included in the final payroll warrant issued to the employee. The conversion rate for police officers and dispatchers is 33 1/3 percent.

**Note 13 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2002, the City contracted with Scottsdale Indemnity Company and Philadelphia Indemnity Insurance Company for various types of insurance as follows:

Company	Type	Coverage
Scottsdale Indemnity Company	Employee Dishonesty	\$100,000
	Law Enforcement Liability	1,000,000
	Money and Securities	25,000
	Automobile - Comprehensive	1,000,000
	Electronic Data Processing	500,000
	Building and Personal Property	21,980,319
	Contractor's Equipment	2,453,880
	General Liability (Includes Public Officials and Law Enforcement)	1,000,000/3,000,000
Philadelphia Indemnity Insurance Company	Umbrella	10,000,000

Settled claims have not exceeded this coverage in any of the past three years and there has not been a 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.

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

**Note 14 - Long-Term Obligations**

The changes in long-term obligations during the year were as follows:

	Outstanding 12/31/2001	Additions	(Reductions)	Outstanding 12/31//2002	Amounts Due In One Year
<b>Special Assessment Bonds</b>					
\$84,000 1981 9.625%					
Annesly Road Improvement	\$10,000	\$0	(\$5,000)	\$5,000	\$5,000
\$127,000 1985 9.375%					
Timberland Drive Improvement	30,000	0	(6,000)	24,000	6,000
\$670,000 1988 7.500%					
Blossom Lane Improvement	340,000	0	(40,000)	300,000	40,000
\$235,000 1989 7.150%					
Meadoway Drive Improvement	135,000	0	(15,000)	120,000	15,000
\$4,855,000 1990 7.000%					
Various Projects	3,045,000	0	(255,000)	2,790,000	270,000
\$610,000 1994 6.750%					
Various Projects	480,000	0	(25,000)	455,000	25,000
\$2,270,000 1994 4.900%					
George Zeigler Drive Improvements	1,920,000	0	(85,000)	1,835,000	85,000
\$555,000 2000 5.400%					
Street and Sewer Improvements	545,000	0	(15,000)	530,000	15,000
\$2,150,000 2002 2.250%					
Various Projects	0	2,150,000	0	2,150,000	80,000
<i>Total Special Assessments Bonds</i>	6,505,000	2,150,000	(446,000)	8,209,000	541,000
\$3,850,000 2002 2.250%					
Fire Station	0	3,850,000	0	3,850,000	215,000
Compensated Absences	1,266,639	173,532	(61,841)	1,378,330	457,095
<i>Total General Long-term Obligations</i>	<u>\$7,771,639</u>	<u>\$6,173,532</u>	<u>(\$507,841)</u>	<u>\$13,437,330</u>	<u>\$1,213,095</u>

General obligation bonds will be paid from the general bond retirement service fund from property taxes. The special assessment bonds are backed by the full faith and credit of the City of Beachwood and will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The compensated absences liability will be paid from the general fund.

The City's overall legal debt margin was \$71,883,669 at December 31, 2002. Principal and interest requirements to retire outstanding special assessment bonds at December 31, 2002, are as follows:

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

Year	Special Assessment Bonds		General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2003	\$541,000	\$465,663	\$135,000	\$153,588	\$1,295,251
2004	581,000	433,185	140,000	150,550	1,304,735
2005	611,000	398,314	145,000	147,400	1,301,714
2006	641,000	361,426	145,000	144,138	1,291,564
2007	675,000	322,468	150,000	140,368	1,287,836
2008-2012	2,765,000	996,087	820,000	626,397	5,207,484
2013-2017	1,560,000	420,742	1,020,000	453,630	3,454,372
2018-2022	835,000	119,797	1,295,000	194,485	2,444,282
Total	<u>\$8,209,000</u>	<u>\$3,517,682</u>	<u>\$3,850,000</u>	<u>\$2,010,556</u>	<u>\$17,587,238</u>

**Note 15 - Note Payable**

Changes in the City's note activity for the year ended December 31, 2002, were as follows:

	Outstanding 12/31/2001	Additions	(Reductions)	Outstanding 12/31/2002
2002 3.45%				
Various Improvement Note	\$2,000,000	\$2,000,000	(\$4,000,000)	\$0
Unamortized Premium	12,620	0	(12,620)	0
2001 3.75%				
Fire Station Note	4,000,000	0	(4,000,000)	0
<i>Total</i>	<u>\$6,012,620</u>	<u>\$2,000,000</u>	<u>(\$8,012,620)</u>	<u>\$0</u>

On December 28, 2001, the City issued \$4,000,000 in Fire Station Capital Improvement Notes. The proceeds were spent on the construction of a new fire station. The bond anticipation notes were paid on August 28, 2002 from the proceeds of a \$6,000,000 bond issue.

On February 28, 2002, the City issued \$2,000,000 in Various Improvement Notes to refinance various improvements. The bond anticipation notes were paid on July 15, 2002 also from the proceeds of the \$6,000,000 bond issue.

**Note 16 - Jointly Governed Organization**

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

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

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 Beachwood did not contribute to NOPEC during 2002. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

**Note 17 - Contractual Commitments**

The City had the following contractual commitments outstanding at December 31, 2002:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Paid to Date</u>	<u>Remaining on Contract</u>
Aquatic Center	\$5,282,008	(\$1,028,645)	\$4,253,363
Storm and Sanitary Sewer Improvements	2,208,935	(1,675,034)	533,901
Road Improvements	1,808,331	(1,177,431)	630,900
City Hall Renovation	1,276,000	(437,307)	838,693
Signature Square Recreation Center	1,184,100	(455,719)	728,381
MDT Project	207,826	(187,243)	20,583
<i>Total</i>	<u>\$11,967,200</u>	<u>(\$4,961,379)</u>	<u>\$7,005,821</u>

## **Combining Statements and Individual Fund Schedules**

### **Combining Statements – Nonmajor Governmental Funds**

**All nonmajor governmental funds are special revenue funds.**

#### **Nonmajor Special Revenue Funds**

To account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

***Street Construction, Maintenance and Repair Fund*** – This fund accounts for 92.5 percent of the State gasoline tax and motor vehicle registration fees designated for maintenance and repair of streets within the City.

***State Highway Fund*** - This fund accounts for 7.5 percent of the State gasoline tax and motor vehicle registration fees designated for maintenance and repair of State highways within the City.

***Mayor’s Court Improvement Fund*** – This fund accounts for court fees and fines used for the purchase and maintenance of computers for the Mayor’s court.

***Law Enforcement Trust Fund*** - This fund accounts for monies received from the sale or disposition of seized contraband.

***Police Pension Fund*** - This fund accounts for property taxes collected to pay for a portion of the employer’s share of police pension benefits.

***Street Lights Fund*** - This fund accounts for the collection of special assessments to provide street lighting on Blossom Drive and George Zeigler Drive.

***Paramedic Trust Fund*** - This fund accounts for monies given to the City by privately held “Beachwood Paramedic Trust Fund” to provide equipment and training for paramedics of the City.

**City of Beachwood, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Governmental Funds*  
*December 31, 2002*

	Street Construction, Maintenance and Repair	State Highway	Mayor's Court Improvement
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$148,543	\$261,206	\$39,634
Taxes Receivable	0	0	0
Intergovernmental Receivable	109,931	8,911	0
<i>Total Assets</i>	<u>\$258,474</u>	<u>\$270,117</u>	<u>\$39,634</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$0	\$4,800	\$0
Interfund Payable	0	0	0
Deferred Revenue	90,169	7,309	0
<i>Total Liabilities</i>	<u>90,169</u>	<u>12,109</u>	<u>0</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	34,718	148,249	0
Unreserved, Undesignated, Reported in Special Revenue Funds	133,587	109,759	39,634
<i>Total Fund Balances</i>	<u>168,305</u>	<u>258,008</u>	<u>39,634</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$258,474</u>	<u>\$270,117</u>	<u>\$39,634</u>

Law Enforcement Trust	Police Pension	Street Lights	Paramedic Trust	Total Nonmajor Governmental Funds
\$14,779	\$118,488	\$70,446	\$3,729	\$656,825
0	203,739	0	0	203,739
0	10,530	0	0	129,372
<u>\$14,779</u>	<u>\$332,757</u>	<u>\$70,446</u>	<u>\$3,729</u>	<u>\$989,936</u>
\$0	\$0	\$1,352	\$0	\$6,152
0	0	1,500	0	1,500
0	214,269	0	0	311,747
<u>0</u>	<u>214,269</u>	<u>2,852</u>	<u>0</u>	<u>319,399</u>
0	99,588	0	0	282,555
<u>14,779</u>	<u>18,900</u>	<u>67,594</u>	<u>3,729</u>	<u>387,982</u>
<u>14,779</u>	<u>118,488</u>	<u>67,594</u>	<u>3,729</u>	<u>670,537</u>
<u>\$14,779</u>	<u>\$332,757</u>	<u>\$70,446</u>	<u>\$3,729</u>	<u>\$989,936</u>

**City of Beachwood, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Governmental Funds*  
*For the Year Ended December 31, 2002*

	Street Construction, Maintenance and Repair	State Highway	Mayor's Court Improvement
<b>Revenues</b>			
Property and Other Taxes	\$0	\$0	\$0
Fines, Licenses, and Permits	0	0	12,380
Intergovernmental	324,675	25,522	0
Special Assessments	0	0	0
Interest	12,345	17,603	0
<i>Total Revenues</i>	<u>337,020</u>	<u>43,125</u>	<u>12,380</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	0	0	2,707
Public Safety:			
Police	0	0	0
Public Services	415,098	176,551	0
<i>Total Expenditures</i>	<u>415,098</u>	<u>176,551</u>	<u>2,707</u>
<i>Net Change in Fund Balances</i>	(78,078)	(133,426)	9,673
<i>Fund Balances Beginning of Year</i>	<u>246,383</u>	<u>391,434</u>	<u>29,961</u>
<i>Fund Balances End of Year</i>	<u><u>\$168,305</u></u>	<u><u>\$258,008</u></u>	<u><u>\$39,634</u></u>

Law Enforcement Trust	Police Pension	Street Lights	Paramedic Trust	Total Nonmajor Governmental Funds
\$0	\$194,670	\$0	\$0	\$194,670
2,439	0	0	0	14,819
0	20,787	0	0	370,984
0	0	22,121	0	22,121
0	0	0	0	29,948
2,439	215,457	22,121	0	632,542
0	0	0	0	2,707
250	132,060	17,476	0	149,786
0	0	0	0	591,649
250	132,060	17,476	0	744,142
2,189	83,397	4,645	0	(111,600)
12,590	35,091	62,949	3,729	782,137
\$14,779	\$118,488	\$67,594	\$3,729	\$670,537

## Combining Statements - Fiduciary Funds

### *Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is the Leo Weiss Private Purpose Trust fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

### *Private Purpose Trust Fund*

***Leo Weiss Trust Fund*** – This fund accounts for monies given to the City by the family of former City Councilman Leo Weiss. The interest earned on the donated monies is to provide funds for the annual Leo Weiss Good Sportsmanship award for the Beachwood Men's Softball League.

### *Agency Funds*

***Commercial Permit Tax Fund*** – This fund accounts for monies collected by the City in accordance with State Law.

***Special Trust and Agency Fund*** – This fund is used to account for the receipt and disbursement of withholdings tax collections of businesses in the Chagrin Highlands development area. These taxes are distributed to the cities of Warrensville Heights and Cleveland.

***Unclaimed Monies Fund*** – This fund accounts for monies received by the City that are due to various individuals the City is unable to contact.

***Deposits Fund*** – This fund accounts for monies from planning, zoning, and street repairs put on deposit with the City in accordance with various City ordinances.

**City of Beachwood, Ohio**  
*Combining Statement of Changes in Assets and Liabilities*  
*Agency Funds*  
*For the Year Ended December 31, 2002*

	Beginning Balance 1/1/02	Additions	Deductions	Ending Balance 12/31/02
<b>Commercial Permits Tax</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$669	\$11,216	\$11,200	\$685
<b>Liabilities</b>				
Undistributed Monies	\$669	\$11,216	\$11,200	\$685
<b>Special Trust and Agency</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$253,211	\$253,211	\$0
<b>Liabilities</b>				
Deposits Held and Due to Others	\$0	\$253,211	\$253,211	\$0
<b>Unclaimed Monies</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$41,349	\$0	\$41,349
<b>Liabilities</b>				
Undistributed Monies	\$0	\$41,349	\$0	\$41,349
<b>Deposits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$375,908	\$357,556	\$409,882	\$323,582
<b>Liabilities</b>				
Deposits Held and Due to Others	\$375,908	\$357,556	\$409,882	\$323,582
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$376,577	\$663,332	\$674,293	\$365,616
<b>Liabilities</b>				
Undistributed Monies	\$669	\$52,565	\$11,200	\$42,034
Deposits Held and Due to Others	375,908	610,767	663,093	323,582
<i>Total Liabilities</i>	\$376,577	\$663,332	\$674,293	\$365,616

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

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Taxes	\$3,078,464	\$3,194,749	\$3,308,923	\$114,174
Municipal Income Taxes	14,911,727	15,475,000	15,755,198	280,198
Charges for Services	616,705	640,000	715,656	75,656
Fines, Licenses, and Permits	616,705	640,000	718,027	78,027
Intergovernmental	3,144,027	3,262,789	3,562,540	299,751
Interest	1,927,202	2,000,000	2,256,897	256,897
Other	155,646	161,525	221,952	60,427
<i>Total Revenues</i>	24,450,476	25,374,063	26,539,193	1,165,130
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive:				
Council:				
Personal Services	195,281	204,484	200,753	3,731
Contractual Services	4,277	4,500	0	4,500
Materials and Supplies	2,763	2,872	762	2,110
Other	65,960	69,181	68,063	1,118
Total Council	268,281	281,037	269,578	11,459
Mayor:				
Personal Services	330,874	348,103	334,471	13,632
Contractual Services	7,223	7,600	2,840	4,760
Materials and Supplies	35,609	37,170	30,439	6,731
Capital Outlay	16,158	17,000	9,013	7,987
Other	41,615	43,691	32,546	11,145
Total Mayor	431,479	453,564	409,309	44,255
Finance Director:				
Personal Services	1,038,860	1,092,800	1,056,517	36,283
Contractual Services	53,450	56,151	49,622	6,529
Materials and Supplies	31,882	33,369	26,640	6,729
Capital Outlay	104,612	109,865	59,528	50,337
Other	223,188	234,779	227,429	7,350
Total Finance Director	1,451,992	1,526,964	1,419,736	107,228
Law Department:				
Personal Services	707,772	738,124	658,549	79,575
Contractual Services	10,351	10,827	4,601	6,226
Materials and Supplies	22,358	23,374	13,331	10,043
Capital Outlay	9,504	10,000	2,676	7,324
Other	89,518	93,671	57,510	36,161
Total Law Department	839,503	875,996	736,667	139,329
Total General Government	\$2,991,255	\$3,137,561	\$2,835,290	\$302,271

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Police:				
Law Enforcement:				
Personal Services	\$4,710,324	\$4,955,266	\$4,812,064	\$143,202
Contractual Services	282,577	296,616	266,806	29,810
Materials and Supplies	56,759	59,494	55,160	4,334
Capital Outlay	732,029	764,388	661,331	103,057
Other	119,825	125,786	97,981	27,805
Total Police	5,901,514	6,201,550	5,893,342	308,208
Fire:				
Hydrants:				
Personal Services	3,649,792	3,840,061	3,762,198	77,863
Contractual Services	78,185	81,307	58,930	22,377
Materials and Supplies	86,944	91,007	69,347	21,660
Capital Outlay	176,665	184,990	143,115	41,875
Other	40,723	42,742	31,527	11,215
Total Fire Department	4,032,309	4,240,107	4,065,117	174,990
Total Public Safety	9,933,823	10,441,657	9,958,459	483,198
Public Services:				
Service Department:				
Personal Services	414,966	436,557	408,371	28,186
Contractual Services	2,858	2,982	1,578	1,404
Materials and Supplies	51,955	54,462	44,565	9,897
Capital Outlay	53,904	56,580	38,583	17,997
Other	24,910	26,084	11,788	14,296
Total Service Department	548,593	576,665	504,885	71,780
Building and Grounds:				
Personal Services	946,890	996,018	934,790	61,228
Contractual Services	513,537	539,489	492,292	47,197
Materials and Supplies	216,853	228,156	189,789	38,367
Capital Outlay	79,519	83,236	69,272	13,964
Other	36,022	37,900	32,858	5,042
Total Building and Grounds	1,792,821	1,884,799	1,719,001	165,798
Fleet Maintenance:				
Personal Services	573,698	603,609	566,877	36,732
Contractual Services	74,042	77,848	63,918	13,930
Materials and Supplies	417,348	437,789	393,889	43,900
Capital Outlay	26,134	27,373	5,124	22,249
Total Fleet Maintenance	\$1,091,222	\$1,146,619	\$1,029,808	\$116,811

(continued)

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Streets, Sidewalks, and Sewers:				
Personal Services	\$1,140,960	\$1,197,710	\$1,128,478	\$69,232
Contractual Services	159,200	167,500	100,590	66,910
Materials and Supplies	520,543	544,973	440,581	104,392
Capital Outlay	188,188	198,000	186,405	11,595
Other	4,752	5,000	3,648	1,352
<b>Total Streets, Sidewalks, and Sewers</b>	<b>2,013,643</b>	<b>2,113,183</b>	<b>1,859,702</b>	<b>253,481</b>
Sanitation:				
Personal Services	502,310	528,500	472,212	56,288
Contractual Services	254,407	266,300	208,969	57,331
Materials and Supplies	11,405	12,000	9,185	2,815
Capital Outlay	71,810	74,288	51,564	22,724
Other	1,005	1,055	532	523
<b>Total Sanitation</b>	<b>840,937</b>	<b>882,143</b>	<b>742,462</b>	<b>139,681</b>
Engineering Department:				
Personal Services	272,688	284,219	226,044	58,175
Materials and Supplies	6,516	6,838	1,265	5,573
Capital Outlay	4,132	4,330	1,465	2,865
Other	7,223	7,600	2,346	5,254
<b>Total Engineering Department</b>	<b>290,559</b>	<b>302,987</b>	<b>231,120</b>	<b>71,867</b>
<b>Total Public Services</b>	<b>6,577,775</b>	<b>6,906,396</b>	<b>6,086,978</b>	<b>819,418</b>
Health and Welfare:				
Human Services Department:				
Personal Services	280,585	295,000	289,941	5,059
Contractual Services	153,026	160,652	103,909	56,743
Materials and Supplies	54,651	57,270	50,816	6,454
Capital Outlay	9,703	10,000	8,203	1,797
Other	38,172	39,899	36,402	3,497
<b>Total Health and Welfare</b>	<b>536,137</b>	<b>562,821</b>	<b>489,271</b>	<b>73,550</b>
Culture and Recreation				
Recreation Administration:				
Personal Services	303,603	319,009	311,657	7,352
Contractual Services	196,312	206,535	204,857	1,678
Materials and Supplies	23,687	24,891	17,953	6,938
Capital Outlay	6,368	6,700	5,628	1,072
Other	24,329	25,523	20,751	4,772
<b>Total Recreation Administration</b>	<b>\$554,299</b>	<b>\$582,658</b>	<b>\$560,846</b>	<b>\$21,812</b>

(continued)

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation Camps:				
Personal Services	\$191,888	\$201,878	\$199,070	\$2,808
Contractual Services	76,511	80,500	47,380	33,120
Materials and Supplies	17,042	17,875	14,346	3,529
Capital Outlay	950	1,000	952	48
Other	3,898	4,096	1,167	2,929
<b>Total Recreation Camps</b>	290,289	305,349	262,915	42,434
Recreation Child Care:				
Personal Services	15,967	16,800	16,119	681
Contractual Services	285	300	0	300
Materials and Supplies	1,806	1,900	433	1,467
Other	1,396	1,465	825	640
<b>Total Recreation Child Care</b>	19,454	20,465	17,377	3,088
Recreation Sports Programs:				
Personal Services	18,534	19,500	12,478	7,022
Contractual Services	47,261	49,724	49,061	663
Materials and Supplies	30,558	32,062	30,962	1,100
Capital Outlay	1,236	1,300	1,179	121
Other	6,821	7,146	6,671	475
<b>Total Recreation Sports Programs</b>	104,410	109,732	100,351	9,381
Recreation Other Programs:				
Personal Services	89,722	94,400	89,331	5,069
Contractual Services	75,867	79,123	69,990	9,133
Materials and Supplies	8,538	8,900	8,295	605
Capital Outlay	1,901	2,000	0	2,000
Other	8,375	8,796	6,755	2,041
<b>Total Recreation Other Programs</b>	184,403	193,219	174,371	18,848
Recreation Parks/Swimming Pools:				
Personal Services	188,378	198,200	172,684	25,516
Contractual Services	113,654	119,135	66,911	52,224
Materials and Supplies	32,695	34,400	23,664	10,736
Capital Outlay	45,621	48,000	34,287	13,713
Other	4,761	5,009	2,868	2,141
<b>Total Recreation Parks/Swimming Pools</b>	385,109	404,744	300,414	104,330
<b>Total Culture and Recreation</b>	\$1,537,964	\$1,616,167	\$1,416,274	\$199,893

(continued)

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Building and Community Development:				
Building Development:				
Personal Services	\$952,412	\$1,000,970	\$932,478	\$68,492
Contractual Services	9,176	9,647	2,583	7,064
Materials and Supplies	23,940	25,079	17,759	7,320
Capital Outlay	65,649	67,919	57,517	10,402
Other	35,477	37,221	14,705	22,516
Total Building and Community Development	1,086,654	1,140,836	1,025,042	115,794
<i>Total Expenditures</i>	22,663,608	23,805,438	21,811,314	1,994,124
<i>Excess of Revenues Over Expenditures</i>	1,786,868	1,568,625	4,727,879	3,159,254
<b>Other Financing Uses</b>				
Transfers Out	(7,000,000)	(7,051,196)	(7,000,000)	51,196
<i>Net Change in Fund Balance</i>	(5,213,132)	(5,482,571)	(2,272,121)	3,210,450
<i>Fund Balance Beginning of Year</i>	15,253,090	15,253,090	15,253,090	0
Prior Year Encumbrances Appropriated	763,509	763,509	763,509	0
<i>Fund Balance End of Year</i>	\$10,803,467	\$10,534,028	\$13,744,478	\$3,210,450

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Bond Retirement Fund*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special Assessments	\$485,367	\$485,367	\$416,238	(\$69,129)
Interest	399,633	399,633	414,743	15,110
<i>Total Revenues</i>	885,000	885,000	830,981	(54,019)
<b>Expenditures</b>				
Debt Service:				
Principal Retirement	4,565,198	4,565,198	4,446,000	119,198
Interest and Fiscal Charges	584,802	584,802	573,160	11,642
<i>Total Expenditures</i>	5,150,000	5,150,000	5,019,160	130,840
<i>Excess of Revenues Under Expenditures</i>	(4,265,000)	(4,265,000)	(4,188,179)	76,821
<b>Other Financing Sources</b>				
General Obligation Notes Issued	2,000,000	2,000,000	2,000,000	0
Special Assessment Bonds Issued	2,000,000	2,000,000	2,000,000	0
<i>Total Other Financing Sources</i>	4,000,000	4,000,000	4,000,000	0
<i>Net Change in Fund Balance</i>	(265,000)	(265,000)	(188,179)	76,821
<i>Fund Balance Beginning of Year</i>	644,905	644,905	644,905	0
<i>Fund Balance End of Year</i>	\$379,905	\$379,905	\$456,726	\$76,821

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Capital Improvements Fund  
For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special Assessments	\$0	\$0	\$9,598	\$9,598
Other	0	0	9,172	9,172
<i>Total Revenues</i>	0	0	18,770	18,770
<b>Expenditures</b>				
Capital Outlay:				
Personal Services	2,710,000	2,710,000	1,310,826	1,399,174
Contractual Services	2,224,979	2,224,979	2,224,979	0
Capital Outlay	18,673,119	18,673,119	9,108,141	9,564,978
Other	148,000	148,000	105,406	42,594
Debt Service:				
Principal Retirement	8,000,000	4,000,000	4,000,000	0
Interest and Fiscal Charges	120,000	60,000	60,000	0
<i>Total Expenditures</i>	31,876,098	27,816,098	16,809,352	11,006,746
<i>Excess of Revenues Under Expenditures</i>	(31,876,098)	(27,816,098)	(16,790,582)	11,025,516
<b>Other Financing Sources</b>				
General Obligation Bonds Issued	0	0	3,850,000	3,850,000
Special Assessment Bonds Issued	0	0	150,000	150,000
Transfers In	7,000,000	7,000,000	7,000,000	0
<i>Total Other Financing Sources</i>	7,000,000	7,000,000	11,000,000	4,000,000
<i>Net Change in Fund Balance</i>	(24,876,098)	(20,816,098)	(5,790,582)	15,025,516
<i>Fund Balance Beginning of Year</i>	25,117,339	25,117,339	25,117,339	0
Prior Year Encumbrances Appropriated	3,316,098	3,316,098	3,316,098	0
<i>Fund Balance End of Year</i>	\$3,557,339	\$7,617,339	\$22,642,855	\$15,025,516

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Construction, Maintenance and Repair Fund*  
*For the Year Ended December 31, 2002*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$310,000	\$290,000	\$317,671	\$27,671
Interest	30,000	20,000	12,345	(7,655)
<i>Total Revenues</i>	340,000	310,000	330,016	20,016
<b>Expenditures</b>				
Current:				
Public Service:				
Streets, Sidewalks, and Maintenance:				
Capital Outlay	537,240	537,240	449,816	87,424
<i>Net Change in Fund Balance</i>	(197,240)	(227,240)	(119,800)	107,440
<i>Fund Balance Beginning of Year</i>	105,385	105,385	105,385	0
Prior Year Encumbrances Appropriated	128,240	128,240	128,240	0
<i>Fund Balance End of Year</i>	<u>\$36,385</u>	<u>\$6,385</u>	<u>\$113,825</u>	<u>\$107,440</u>

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*State Highway Fund*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$30,000	\$23,000	\$25,757	\$2,757
Interest	15,000	15,000	17,603	2,603
<i>Total Revenues</i>	<u>45,000</u>	<u>38,000</u>	<u>43,360</u>	<u>5,360</u>
<b>Expenditures</b>				
Current:				
Public Services:				
Streets, Sidewalks, and Maintenance:				
Personal Services	50,000	50,000	20,000	30,000
Contractual Services	6,850	6,850	6,850	0
Capital Outlay	<u>325,000</u>	<u>325,000</u>	<u>304,800</u>	<u>20,200</u>
<i>Total Expenditures</i>	<u>381,850</u>	<u>381,850</u>	<u>331,650</u>	<u>50,200</u>
<i>Net Change in Fund Balance</i>	(336,850)	(343,850)	(288,290)	55,560
<i>Fund Balance Beginning of Year</i>	389,597	389,597	389,597	0
Prior Year Encumbrances Appropriated	<u>6,850</u>	<u>6,850</u>	<u>6,850</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$59,597</u></u>	<u><u>\$52,597</u></u>	<u><u>\$108,157</u></u>	<u><u>\$55,560</u></u>

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Mayor's Court Improvement Fund  
For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines, Licenses, and Permits	\$17,000	\$12,000	\$12,380	\$380
<b>Expenditures</b>				
Current:				
General Government:				
Mayor:				
Personal Services	6,000	6,000	0	6,000
Materials and Supplies	6,089	6,089	89	6,000
Capital Outlay	20,000	20,000	2,618	17,382
<i>Total Expenditures</i>	32,089	32,089	2,707	29,382
<i>Net Change in Fund Balance</i>	(15,089)	(20,089)	9,673	29,762
<i>Fund Balance Beginning of Year</i>	29,872	29,872	29,872	0
Prior Year Encumbrances Appropriated	89	89	89	0
<i>Fund Balance End of Year</i>	\$14,872	\$9,872	\$39,634	\$29,762

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Law Enforcement Trust Fund  
For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines, Licenses, and Permits	\$2,100	\$2,150	\$2,439	\$289
<b>Expenditures</b>				
Current:				
Public Safety:				
Law Department:				
Materials and Supplies	2,250	2,250	250	2,000
Capital Outlay	7,500	7,500	0	7,500
Other	1,250	1,250	0	1,250
<i>Total Expenditures</i>	11,000	11,000	250	10,750
<i>Net Change in Fund Balance</i>	(8,900)	(8,850)	2,189	11,039
<i>Fund Balance Beginning of Year</i>	12,590	12,590	12,590	0
<i>Fund Balance End of Year</i>	\$3,690	\$3,740	\$14,779	\$11,039

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Pension Fund*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$191,752	\$189,440	\$194,670	\$5,230
Intergovernmental	20,694	20,444	20,787	343
<i>Total Revenues</i>	212,446	209,884	215,457	5,573
<b>Expenditures</b>				
Current:				
Public Safety:				
Police Department:				
Personal Services	240,000	240,000	231,648	8,352
<i>Net Change in Fund Balance</i>	(27,554)	(30,116)	(16,191)	13,925
<i>Fund Balance Beginning of Year</i>	35,091	35,091	35,091	0
<i>Fund Balance End of Year</i>	\$7,537	\$4,975	\$18,900	\$13,925

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Lights Fund*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special Assessments	\$21,434	\$21,200	\$22,121	\$921
<b>Expenditures</b>				
Current:				
Public Safety:				
Streets, Sidewalks, and Sewers:				
Contractual Services	21,350	21,350	16,124	5,226
<i>Net Change in Fund Balance</i>	84	(150)	5,997	6,147
<i>Fund Balance Beginning of Year</i>	64,449	64,449	64,449	0
<i>Fund Balance End of Year</i>	<u>\$64,533</u>	<u>\$64,299</u>	<u>\$70,446</u>	<u>\$6,147</u>

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Paramedic Trust Fund*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>	\$0	\$0	\$0	\$0
<b>Expenditures</b>				
Current:				
Public Safety:				
Fire Department:				
Capital Outlay	3,729	3,729	0	3,729
<i>Net Change in Fund Balance</i>	(3,729)	(3,729)	0	3,729
<i>Fund Balance Beginning of Year</i>	3,729	3,729	3,729	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$3,729	\$3,729

**City of Beachwood, Ohio**  
*Schedule of Revenues, Expenses and Changes*  
*in Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Leo Weiss Trust Fund*  
*For the Year Ended December 31, 2002*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$50	\$50	\$53	\$3
<b>Expenses</b>				
Materials and Supplies	50	100	40	60
<i>Net Change in Fund Equity</i>	0	(50)	13	63
<i>Fund Equity Beginning of Year</i>	1,111	1,111	1,111	0
<i>Fund Equity End of Year</i>	<u>\$1,111</u>	<u>\$1,061</u>	<u>\$1,124</u>	<u>\$63</u>

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**City of Beachwood, Ohio**  
*Governmental Activities*  
*Revenues by Source and Expenses by Program*  
*Last Two Years*

	<u>2002</u>	<u>2001</u>
<b>Program Revenues</b>		
Charges for Services	\$1,530,717	\$1,530,325
Operating Grants and Contributions	330,391	335,413
Capital Grants and Assessments	2,179,686	69,119
<b>General Revenues</b>		
Taxes (1)	18,790,138	18,997,205
Grants and Entitlements not Restricted to Specific Programs	3,182,728	4,617,259
Investment Earnings	2,454,506	3,084,949
Gain on Sale of Capital Assets	7,206	20,469
Other	210,033	380,164
<i>Total</i>	<u><u>\$28,685,405</u></u>	<u><u>\$29,034,903</u></u>
<b>Expenses</b>		
General Government:		
Legislative and Executive	\$2,695,883	\$2,644,334
Public Safety:		
Police	5,875,828	5,627,976
Fire	4,078,613	4,465,052
Public Services	8,147,093	8,367,104
Health and Welfare	482,859	371,027
Culture and Recreation	1,295,346	1,724,729
Buliding and Community Development	986,127	925,213
Interest and Fiscal Charges	584,774	529,908
<i>Total</i>	<u><u>\$24,146,523</u></u>	<u><u>\$24,655,343</u></u>

Source: City Financial Records

(1) Includes All Taxes.

**City of Beachwood, Ohio**  
*General Governmental Revenues by Source  
and Expenditures by Function (1)  
Last Ten Years (2)*

	2002	2001	2000	1999
<b>Revenues</b>				
Taxes (3)	\$18,904,234	\$19,244,458	\$19,070,271	\$17,310,149
Charges for Services	715,656	684,746	556,452	599,805
Fines, Licenses, and Permits	732,896	845,579	637,602	635,959
Intergovernmental	3,346,547	4,927,390	4,369,859	3,073,641
Special Assessments	463,543	500,461	1,085,235	974,751
Interest	2,454,536	3,084,949	3,052,504	1,895,120
Donations	0	0	0	0
Other	210,033	380,164	68,649	195,892
<b>Total</b>	<b><u>\$26,827,445</u></b>	<b><u>\$29,667,747</u></b>	<b><u>\$28,840,572</u></b>	<b><u>\$24,685,317</u></b>
<b>Expenditures</b>				
<b>Current</b>				
General Government	\$2,447,651	\$2,360,436	\$2,280,102	\$2,254,477
Public Safety: (4)	N/A	N/A	8,672,783	8,464,810
Police	5,761,739	5,390,781	N/A	N/A
Fire	3,788,238	3,834,322	N/A	N/A
Public Services	6,146,724	5,931,831	6,333,048	5,596,884
Health and Welfare	461,467	412,988	338,744	297,133
Transportation (5)	0	0	0	0
Culture and Recreation	1,386,484	1,277,910	1,175,955	1,135,689
Community Development	939,157	903,246	909,417	862,872
Basis Utility Services (5)	0	0	0	0
Capital Outlay	5,371,032	5,533,568	9,746,101	7,299,746
<b>Debt Service</b>				
Principal Retirement	446,000	2,461,000	2,431,000	430,000
Interest and Fiscal Charges	574,025	542,799	531,908	498,298
<b>Total</b>	<b><u>\$27,322,517</u></b>	<b><u>\$28,648,881</u></b>	<b><u>\$32,419,058</u></b>	<b><u>\$26,839,909</u></b>

Source: City financial records

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds.

(2) 1997 - 2002 are reported on a GAAP basis; all others on a Cash basis.

(3) Includes All Taxes.

(4) 2001 was the first year subcategories were identified for public safety.

(5) Prior to 1997, the City reported expenditures in the transportation and basic utility services category.

1998	1997	1996	1995	1994	1993
\$16,537,836	\$16,601,521	\$16,327,242	\$15,273,531	\$14,679,323	\$13,405,663
889,564	687,330	450	100	0	0
873,213	929,560	961,008	515,659	529,905	483,544
2,885,619	4,476,126	2,059,463	5,950,815	2,995,592	1,986,134
963,511	1,041,403	1,592	1,674	30,211	1,670
2,656,226	2,237,905	0	0	0	0
19,890	0	0	0	0	0
554,545	151,668	2,760,826	1,250,291	1,054,873	881,274
<u>\$25,380,404</u>	<u>\$26,125,513</u>	<u>\$22,110,581</u>	<u>\$22,992,070</u>	<u>\$19,289,904</u>	<u>\$16,758,285</u>
\$2,141,822	\$1,750,146	\$3,617,008	\$2,491,905	\$3,366,748	\$4,461,774
8,004,484	6,706,503	7,201,156	5,960,641	5,989,600	5,254,548
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
5,206,040	4,915,061	26,831	29,670	24,257	26,413
74,602	0	0	0	0	0
0	0	4,794,293	3,292,418	4,192,994	2,174,565
1,214,131	1,265,314	138,380	191,691	197,340	223,338
795,265	791,317	781,420	545,671	746,947	696,644
0	0	1,074,084	768,375	1,430,785	1,578,822
5,280,119	2,553,922	0	329,319	440,442	510,646
1,035,000	1,015,000	1,005,000	2,000,000	2,000,000	3,500,000
533,940	576,127	514,346	844,108	674,774	605,963
<u>\$24,285,403</u>	<u>\$19,573,390</u>	<u>\$19,152,518</u>	<u>\$16,453,798</u>	<u>\$19,063,887</u>	<u>\$19,032,713</u>

**City of Beachwood, Ohio**  
*Real and Public Utility Property Tax Levies And Collections*  
*Last Ten Years*

Year	Current Levy (1)	Delinquent Levy	Total Levy	Current Collection (1)	Percent of Current Collections To Tax Levy
2002	\$2,586,187	\$195,335	\$2,781,522	\$2,428,047	93.89%
2001	2,519,746	101,685	2,621,431	2,362,839	93.77
2000	2,235,754	90,502	2,326,256	2,193,988	98.13
1999	2,193,925	68,547	2,262,472	2,134,653	97.30
1998	2,110,259	65,035	2,175,294	2,037,350	96.55
1997	1,955,738	87,183	2,042,921	1,892,545	96.77
1996	1,902,202	72,038	1,974,240	1,854,942	97.52
1995	1,894,741	91,804	1,986,545	1,719,454	90.75
1994	1,876,240	210,720	2,086,960	1,764,468	94.04
1993	1,512,710	231,097	1,743,807	1,401,199	92.63

Source: Cuyahoga County, Ohio; County Auditor

- (1) Includes homestead/rollback taxes assessed locally but distributed through the State and reported as intergovernmental revenue.
- (2) Includes penalties and interest, since by Ohio Law, they become part of tax obligation as assessment occurs.

<u>Delinquent Collection</u>	<u>Total Collections</u>	<u>Percent of Total Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes (2)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$128,082	\$2,556,129	98.84%	\$141,380	5.08%
72,250	2,435,089	96.64	134,252	5.12
62,595	2,256,583	100.93	65,139	2.80
44,362	2,179,015	99.32	65,281	2.89
36,391	2,073,741	98.27	62,169	2.86
27,280	1,919,825	98.16	50,935	2.49
30,265	1,885,207	99.11	71,642	3.63
33,062	1,752,516	92.49	77,316	3.89
53,315	1,817,783	96.88	106,896	5.12
78,478	1,479,677	97.82	242,526	13.91

**City of Beachwood, Ohio**  
*Personal Property Tax Levies And Collections*  
*Last Ten Years*

<u>Year</u>	<u>Current Levy</u>	<u>Delinquent Levy</u>	<u>Total Levy</u>	<u>Current Collection</u>	<u>Percent of Current Collections To Tax Levy</u>	<u>Delinquent Collection</u>
2002	\$291,196	\$32,959	\$324,155	\$277,819	95.41%	\$20,674
2001	311,567	55,673	367,240	295,783	94.93	43,994
2000	295,392	26,737	322,129	258,690	87.58	14,492
1999	273,310	37,014	310,324	266,876	97.65	19,439
1998	260,460	35,693	296,153	242,667	93.17	17,793
1997	282,281	80,182	362,463	281,275	99.64	6,556
1996	233,678	100,571	334,249	230,660	98.71	3,018
1995	213,790	103,474	317,264	209,496	97.99	4,293
1994	182,864	113,006	295,870	174,659	95.51	10,303
1993	174,912	99,613	274,525	169,924	97.15	6,210

Source: Cuyahoga County, Ohio; County Auditor

- (1) Includes penalties and interest, since by Ohio Law, they become part of tax obligation as assessment occurs.

<u>Total Collections</u>	<u>Percent of Total Collections to Current Tax Levy</u>	<u>Outstanding Delinquent Taxes (1)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$298,493	102.51%	\$25,686	8.82%
339,777	109.05	26,787	8.60
273,181	92.48	65,482	22.17
285,146	104.33	21,106	7.72
260,460	100.00	29,366	11.27
287,831	101.97	61,562	21.81
233,678	100.00	63,137	27.02
213,789	100.00	103,474	48.40
184,962	101.15	110,062	60.19
176,134	100.70	98,379	56.24

**City of Beachwood, Ohio**  
*Assessed and Estimated Actual Value of Taxable Property*  
*Last Ten Years*

Year	Real Property		Public Utility Property	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2002	\$632,001,820	\$1,805,719,486	\$12,348,790	\$14,032,716
2001	619,675,050	1,770,500,143	16,374,890	18,607,830
2000	615,268,030	1,757,908,657	15,090,620	17,148,432
1999	539,039,250	1,540,112,143	18,612,250	21,150,284
1998	529,606,400	1,513,161,143	20,699,720	23,522,409
1997	507,681,500	1,450,518,571	19,293,070	21,923,943
1996	469,250,790	1,340,716,543	20,347,690	23,122,375
1995	455,996,370	1,302,846,771	19,611,490	22,285,784
1994	454,278,850	1,297,939,571	21,649,010	24,601,148
1993	427,019,180	1,220,054,800	21,092,810	23,969,102

Source: Cuyahoga County, Ohio; County Auditor

- (1) This amount is calculated based on the following percentages:  
 Real property is assessed at thirty-five percent of actual value.  
 Public utility is assessed at various notes from twenty-five to eighty-eight percent of actual value.  
 Tangible personal is assessed at twenty-five percent of actual value for capital assets and twenty-four percent for inventory.

Tangible Personal Property		Total		Ratio
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	
\$72,572,661	\$315,533,309	\$716,923,271	\$2,135,285,511	33.58%
77,768,001	311,072,004	713,817,941	2,100,179,976	33.99
73,828,584	295,314,336	704,187,234	2,070,371,425	34.01
68,327,501	273,310,004	625,979,001	1,834,572,431	34.12
65,115,001	260,460,004	615,421,121	1,797,143,556	34.24
53,827,069	215,308,276	580,801,639	1,687,750,790	34.41
49,230,508	196,922,032	538,828,988	1,560,760,950	34.52
43,875,056	175,500,224	519,482,916	1,500,632,779	34.62
44,181,802	176,727,208	520,109,662	1,499,267,927	34.69
43,234,508	172,938,032	491,346,498	1,416,961,934	34.68

**City of Beachwood, Ohio**  
*Special Assessment Levies and Collections (1)*  
*Last Ten Years*

Year	Current Assessments Levied	Current Assessments Collected	Percentage of Current Assessments Collected to Levy	Delinquent Assessments Collected
2002	\$877,674	\$836,681	95.33%	\$44,664
2001	955,187	960,717	100.58	5,574
2000	921,139	1,073,425	116.53	11,810
1999	949,426	946,604	99.70	28,147
1998	981,339	935,931	95.37	27,580
1997	979,551	974,798	99.51	5,259
1996	806,079	780,181	96.79	26,380
1995	758,944	746,512	98.36	15,645
1994	775,598	759,711	97.95	19,396
1993	844,766	759,015	89.85	88,950

Source: Cuyahoga County, Ohio; County Auditor

- (1) Includes only special assessments collected by the County for the retirement of debt.
- (2) Includes penalties and interest, since by Ohio Law, they become part of tax obligation as assessment occurs.
- (3) Prior to 2001, special assessments include both principal and interest.

Percentage of Delinquent Assessments Collected to Current Levy	Total Assessments Collected (3)	Percentage of Total Collections to Current Levy	Accumulative Delinquency (2)
5.09%	\$446,000	50.82%	\$58,203
0.58	461,000	48.26	18,631
1.28	1,085,235	117.81	20,049
2.96	974,751	102.67	23,396
2.81	963,511	98.18	37,616
0.54	980,057	100.05	31,060
3.27	806,561	100.06	42,381
2.06	762,157	100.42	44,868
2.50	779,107	100.45	67,326
10.53	847,965	100.38	63,120

**City of Beachwood, Ohio**  
*Property Tax Rates - Direct and Overlapping Governments*  
*(Per \$1,000 of Assessed Valuation)*  
*Last Ten Years*

Collection Year	City of Beachwood			Cuyahoga County	Beachwood City School District	Total Direct and Overlapping Governments
	General	Police Pension	Total City			
2002	\$3.70	\$0.30	\$4.00	\$17.60	\$77.50	\$99.10
2001	3.70	0.30	4.00	17.60	67.90	89.50
2000	3.70	0.30	4.00	17.60	67.90	89.50
1999	3.70	0.30	4.00	16.70	68.00	88.70
1998	3.70	0.30	4.00	16.70	68.10	88.80
1997	3.70	0.30	4.00	18.00	67.50	89.50
1996	3.70	0.30	4.00	18.00	67.80	89.80
1995	3.70	0.30	4.00	18.20	65.30	87.50
1994	3.90	0.30	4.20	17.80	65.40	87.40
1993	3.10	0.30	3.40	17.80	65.40	86.60

Source: Cuyahoga County, Ohio; County Auditor

**City of Beachwood, Ohio**  
*Ratio of Net General Obligation Bonded Debt to Assessed  
 Value and Net Bonded Debt Per Capita  
 December 31, 2002*

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Year	Population (1)	Assessed (2) Value	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
2002	12,186	\$716,923,271	\$3,393,274	0.47%	\$315.94

Source:

(1) Federal 2000 Census

(2) Cuyahoga County Auditor

Prior to 2002 the City had no bonded debt.

**City of Beachwood, Ohio**  
*Ratio of Annual Debt Service Expenditures for  
 General Bonded Debt to Total General Fund Expenditures  
 December 31, 2002*

<u>Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>General Fund Expenditures</u>	<u>Ratio</u>
2002	\$0	\$51,196	\$51,196	\$20,187,318	0.25%

Source: City of Beachwood

**City of Beachwood, Ohio**  
*Computation of Legal Debt Margin*  
*December 31, 2002*

Assessed Valuation		<u><u>\$716,923,271</u></u>
Overall Debt Limitation		
10.5% of Assessed Valuation		\$75,276,943
Gross Indebtedness		
General Obligation Bonds	3,850,000	
Special Assessment Bonds	<u>8,209,000</u>	
<i>Total</i>	12,059,000	
Exemptions:		
Special Assessment Bonds	<u>8,209,000</u>	
Debt Within 10.5% Limitation	3,850,000	
Less: Amount Available in Debt Service Fund	<u>456,726</u>	
Net Debt Within 10.5% Limitation		<u>3,393,274</u>
Overall Debt Margin Within 10.5% Limitation		<u><u>\$71,883,669</u></u>
Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$39,430,780
Gross indebtedness authorized by Council	12,059,000	
Less: Debt Outside Limitation:		
Special Assessments	<u>8,209,000</u>	
Debt Within 5.5% Limitation	3,850,000	
Less: Amount Available in Debt Service Fund	<u>456,726</u>	
Net Debt Within 5.5% Limitation		<u>3,393,274</u>
Unvoted Debt Margin Within 5.5% Limitation		<u><u>\$36,037,506</u></u>

Source: Cuyahoga County Auditor and City Financial Records

**City of Beachwood, Ohio**  
*Computation of Direct and Overlapping General Obligation Bonded Debt*  
*December 31, 2002*

	General Obligation Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Beachwood
<b>Direct</b>			
City of Beachwood, Ohio	\$3,850,000	100.00%	\$3,850,000
<b>Overlapping</b>			
Cuyahoga County	200,162,636	2.51%	5,024,082
Beachwood City Schools	39,833,982	98.09	39,073,153
Regional Transit Authority	136,310,000	2.51%	3,421,381
<i>Total Overlapping</i>	376,306,618		47,518,616
<i>Totals</i>	\$380,156,618		\$51,368,616

Source: Cuyahoga County, Ohio; County Auditor

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the assessed valuation of the political subdivision.

**City of Beachwood, Ohio**  
*Property Value, Construction and Bank Deposits*  
*Last Ten Years*

Year	Property Value (1)	Number of Building Permits	Dollar Value of Building Permits	Bank Deposits (in thousands) (2)
2002	\$632,001,820	218	\$38,727,100	\$95,761,917
2001	619,675,050	317	61,141,750	63,893,769
2000	615,268,030	245	41,844,600	61,942,764
1999	539,039,250	252	17,815,775	57,816,942
1998	529,606,400	317	34,771,108	58,904,596
1997	507,681,500	285	68,034,294	53,941,971
1996	469,250,790	237	94,485,996	27,068,211
1995	455,996,370	220	12,649,092	22,458,573
1994	454,278,850	257	48,244,949	20,885,453
1993	427,019,180	301	32,750,541	21,009,421

Sources: Cuyahoga County, Ohio; County Auditor  
City building permits reports  
Federal Reserve Bank of Cleveland

(1) Represents total real property assessed value for the City

(2) In 1997 KeyBank adopted a single charter causing a significant increase in recorded bank deposits

**City of Beachwood, Ohio**  
*Principal Taxpayers - Real and Tangible Personal Property*  
*December 31, 2002*

Taxpayer	Assessed Value	Percent of Assessed Value
Beachwood Place, Limited	\$52,721,240	7.48%
Bracebridge Corporation	31,840,190	4.52
Hamptons Apartments	13,811,180	1.96
Chagrin Headquarters Venture	11,113,440	1.58
Doublewood Corporation	10,770,100	1.53
Village Green of Beachwood	10,391,080	1.47
Cleveland Clinic	10,271,800	1.46
Dillards	7,272,760	1.03
Embassy Equity Development	6,475,630	0.92
Jewish Community Center	6,139,040	0.87
<i>Totals</i>	<u>\$160,806,460</u>	<u>22.82%</u>
Real Property Assessed Valuation	\$632,001,820	
Tangible Personal Property Assessed Valuation	<u>72,572,661</u>	
Assessed Valuation	<u><u>\$704,574,481</u></u>	

Source: Cuyahoga County, Ohio; County Auditor

**City of Beachwood, Ohio**  
*Principal Taxpayers - Public Utility Property*  
*December 31, 2002*

Taxpayer	Assessed Value	Percent of Assessed Value
Cleveland Electric Illuminating Company	\$5,097,670	41.28%
Ohio Bell Telephone Company	3,855,950	31.23
American Transmission System	682,470	5.53
AT&T Wireless PCS	566,250	4.59
East Ohio Gas	535,810	4.34
<i>Totals</i>	<u>\$10,738,150</u>	<u>86.97%</u>
Assessed Valuation	<u>\$12,348,790</u>	

Source: Cuyahoga County, Ohio; County Auditor

**City of Beachwood, Ohio**

*Demographic Statistics*

*Last Ten Years*

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<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Cuyahoga County Unemployment Rate</u>
2002	12,186	1,543	6.6%
2001	12,186	1,595	4.6
2000	12,186	1,425	4.5
1999	12,000	1,549	4.5
1998	12,000	1,528	4.5
1997	12,000	1,474	5.8
1996	11,291	1,485	5.2
1995	11,371	1,416	4.8
1994	11,474	1,402	5.8
1993	11,393	1,405	6.8

Sources: Federal 2000 Census  
Cuyahoga County Planning Commission  
Beachwood City Schools  
Ohio Bureau of Employment Services

**City of Beachwood, Ohio**

*Miscellaneous Statistics*

*December 31, 2002*

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Date Founded	1915
Date of Incorporation	1915
Date Became a City	1960
Date of Adoption of Original City Charter	1959
Form of Government	Mayor-Council
Area-Square Miles	5.25
Fire Department:	
Number of Stations	2
Number of Uniformed Employees:	
Chief	1
Fire Prevention Officers	2
Full-Time	33
Part-Time	8
Number of Paramedics	
Full-Time	31
Part-Time	0
Police Department:	
Number of Stations	1
Number of Uniformed Employees:	
Chief	1
Deputy Chief	0
Full-Time	42
Part-Time	0
Number of Full-Time Dispatchers	11
Buildings:	
Permits Issued	218
Parks and Recreation:	
Number of Community Centers	1
Number of Swimming Pool Complexes	1
Number of Playgrounds	1
Number of Tennis Courts	8
Number of Basketball Courts	3

Source: City Records

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**Auditor of State  
Betty Montgomery**

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800-282-0370

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**CITY OF BEACHWOOD**

**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  
JUNE 19, 2003**