



**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, 2003, and have issued our report thereon dated June 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 June 4, 2004.

City of Beachwood
Cuyahoga County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

June 4, 2004

City of Beachwood, Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

DECEMBER 31, 2003

City of Beachwood, Ohio
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2003
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CITY OF *Beachwood*

2700 RICHMOND ROAD • BEACHWOOD, OHIO 44122

MAYOR
MERLE S. GORDEN

June 4, 2004

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, 2003, 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.

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 as measured by financial activity of its various funds. 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 Independent Accountant's Report, and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.

THE STATISTICAL SECTION, which includes selected financial and demographic information, generally presented on a multi-year basis.

FINANCE DEPARTMENT
DAVID A. PFAFF, CPA, FINANCE DIRECTOR
PHONE (216) 292-1913 • FAX (216) 292-1912

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 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 presented in Note 13 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. 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 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 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 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 Beachwood it is estimated that approximately 100,000 people come to 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 Beachwood. 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 Beachwood. Additionally, both organizations have medical offices within Beachwood city

limits.

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. 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.

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 Beachwood as the site of a major portion of their business operations. With a total of approximately 2,300 employees, 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 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 allow 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 acts also 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 Building, Community Services, Engineering, Finance, Fire, Police and Service. Directors appointed by City Council control the Departments of Audit and Law. These departments work with and assist the various administrative operations of the City.

Beachwood residents receive water services from the City of Cleveland and sewer services from the Northeast Ohio Regional Sewer District. 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 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. The City of Beachwood owns 408.25 acres of the 630-acre site. The remaining acres are owned by the following: 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, SimplexGrinnell and Penske Logistics as the major employers.

In 2003 the City approved the development of a parcel of land east of Enterprise Parkway. This development will include a new roadway, tentatively to be named Hummer Parkway; along this roadway there will be a Hummer Dealership, three to four restaurants, a hotel and possibly a small office building. Construction of the roadway is scheduled for the summer of 2004 and the Hummer Dealership is anticipated to be open by April of 2005.

Additionally, in 2003, MBNA completed construction of Building Four of their office campus, which includes an underground parking garage. It is anticipated that this building will eventually house approximately 900 employees. MBNA has presented to the City a Master Plan that would bring their complex to a total of nine buildings. While the timetable of this build out is unknown, it is estimated to be approximately 15 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% 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 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. The scope of this original agreement was supplemented with a second agreement in 2003. This agreement, which is renewable on an annual basis, focuses on business recruitment and retention. During 2003, the Beachwood Chamber of Commerce was able to attract three businesses from Israel to co-locate to the City of Beachwood. Additionally they played a major role in assisting to keep two businesses from leaving the City.

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 2003. 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 and the new Beachwood Family Aquatic Center opened on July 4, 2003. The Municipal Service Center expansion, and the development of passive recreation activities on Shaker Median (west side) were started in the fall of 2003. The City is hopeful that both of these projects will be completed by the end of 2004.

Public Safety Improvements and Programs

The Beachwood Police Department continues to be a highly trained and professional force equipped with the latest state of the art equipment. The City has a state of the art Dispatch Center and Mobile Data Terminals in all our cruisers. The Mobile Data Terminals (MDT's) enhance operations by allowing officers to prepare reports and tickets via the computer while on the road. In addition to the MDT's the department equips all patrols 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 2003, the City received its seventh consecutive score of 100 percent jail compliance from the Ohio Department of Corrections. The department has also applied for and anticipates 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 Beachwood 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 our services and develop new public education programs for the community.

Public Service Improvements/Programs

In 2003, the City continued an aggressive program to improve infrastructure within the City.

Projects for 2003 included the reconstruction of Beacon and Concord Drives, including the relining of the water main and new sidewalks, the reconstruction of Halcyon Road and the resurfacing of Park East Drive, Margot Court, and Orchard Way. In addition, the Beachwood 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 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 2003 marked the eighth consecutive year the City has received this award. As part of this program, the City planted 505 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 Services Divisions.

The Human Services Division offers a well-attended monthly Senior Day Out luncheon and entertainment program. In addition to monthly programs, weekly activities are offered as well ranging from free movies, current events discussion groups, exercise, bridge, yoga and dances. Additional programs offered by Human Services include overnight trips and numerous one-day trips to theatre and other entertainment activities.

The Human Services Division also offers a complimentary door-to-door transportation program through the use of City vans to transport seniors to medical, banking, shopping or social needs. Presently, the vans provide an average of 44 round trips per day to more than 800 registered van riders.

In 2003, Human Services programs serviced over 10,700 seniors.

Seasonally, the Recreation Division offers a community theatre program, three summer camps, dozens of specialty camps, and a variety of preschool, youth and adult programs. Sports programs include community baseball/softball, basketball and soccer. These programs are routinely filled with residents and non-residents as well.

2003 marked the initial season of the new \$5.2 Beachwood Family Aquatic Center. In its first year, 46,536 people enjoyed this new facility complete with spray grounds, water slides, diving boards, a vortex, current channel and hydrotherapy jets.

Annually, the Community Services Department hosts Family Fun Day and Honkin' Haulin' Hands -On

Trucks. Family Fun Day features food, entertainment, inflatable rides and carnival games. Honkin' Haulin' Hands-On Trucks offers area children an opportunity to see, learn and get behind the wheel of over 30 City vehicles. Both of these annual events are very well attended.

In 2003, recreation programs had in excess of 10,900 participants.

FUTURE PROJECTS AND PROGRAMS

As Beachwood looks towards 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 four major projects mentioned above to protect the high level of public services Beachwood commercial and residential citizens have come to expect and enjoy. 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 and the Beachwood Family Aquatic Center have been completed, and construction has begun on the Municipal Service Center renovation and passive recreation activities on the Shaker Median (west side).

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 construction began in September of 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 has been delayed, however passive recreation improvements that began in the fall of 2003 should be completed by the summer of 2004.

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

Budgetary Control

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 Cuyahoga County 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 requires 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 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.

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; in 2003 insurance premiums were \$320,716.

The City carries a \$1,000,000/\$2,000,000 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 2003, the City paid \$119,947 to the OBWC.

OTHER INFORMATION

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 2003. 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) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beachwood for its comprehensive annual financial report for the year ended December 31, 2002. This was the fifth consecutive year that the City has achieved this prestigious award.

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). This report must satisfy both generally accepted accounting standards and applicable legal requirements.

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

GFOA Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Beachwood for its Popular Annual Financial Report for the year ended December 31, 2002. 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. This was the second year that the City has achieved this prestigious award.

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 eighth consecutive Tree City U.S.A. award for the year ended December 31, 2003. 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.

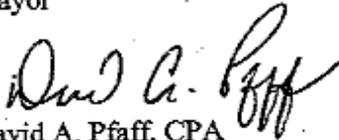
In addition, we would like to thank Beachwood City Council, without whose positive leadership and encouragement, the preparation of this report would not have been possible.

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, 2003

ELECTED OFFICIALS

Mayor-Safety Director.....Merle S. Gorden
President of Council Martin D. Arsham
Council MemberSaul Eisen
Council Member Fredric S. Goodman
Council MemberMelvin 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 Patrick J. Kearns
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 AuditorHarvey S. Rose
Staff Engineer Thomas S. Kreczko
Clerk of Council..... Carol E. Vinyard

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, 2002

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



President

Executive Director



**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, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, 2003, and the respective changes in financial position, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2004 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.



Betty Montgomery
Auditor of State

June 4, 2004

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the 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 2003 are as follows:

- ♣ The City's total net assets increased by \$1,858,906 or 1.8 percent as a result of this year's operations.
- ♣ Total revenues remained relatively flat, increasing only \$174,842 or 0.6 percent over 2002 revenues.
- ♣ For 2003, the City expended \$12,499,100 on capital improvement projects.
- ♣ The general fund transferred \$2,500,000 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 provide 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.

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.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

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 16, 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 2003 and 2002.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 1
Net Assets

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$56,570,500	\$63,179,776
Nondepreciable Capital Assets, Net	13,302,861	10,357,015
Depreciable Capital Assets, Net	55,352,824	49,436,101
<i>Total Assets</i>	<u>125,226,185</u>	<u>122,972,892</u>
Liabilities		
Current and Other Liabilities	5,513,392	4,602,981
Long-Term Liabilities:		
Due Within One Year	1,333,653	1,213,095
Due in More than One Year	11,587,653	12,224,235
<i>Total Liabilities</i>	<u>18,434,698</u>	<u>18,040,311</u>
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	57,272,685	47,734,116
Restricted:		
Capital Projects	19,948,366	29,308,735
Debt Service	7,829,221	8,666,431
Streets	580,320	523,791
Other Purposes	247,407	265,357
Unrestricted	20,913,488	18,434,151
Total Net Assets	<u>\$106,791,487</u>	<u>\$104,932,581</u>

Total assets increased by \$2,253,293 which can be attributed to an increase in capital assets.

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 2003, unrestricted net assets increased by \$2,479,337.

The City's financial position improved from 2002 to 2003 as indicated by the increase in total net assets for governmental activities of \$1,858,906.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 2 shows the changes in net assets for fiscal year 2003 and 2002 and corresponds to the Statement of Activities.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Revenues		
Program Revenues		
Charges for Services	\$1,608,263	\$1,530,717
Operating Grants and Contributions	408,346	330,391
Capital Grants	505,530	2,179,686
General Revenues		
Property Taxes	3,432,388	3,455,267
Municipal Income Tax	15,489,199	15,334,871
Grants and Entitlements	6,155,914	3,182,728
Investment Earnings	1,012,572	2,454,536
Gain on Sale of Capital Assets	2,500	7,206
Other	245,565	210,033
Total Revenues	<u>28,860,277</u>	<u>28,685,435</u>
Program Expenses		
General Government:		
Legislative and Executive	4,028,788	2,695,883
Public Safety:		
Police	6,009,450	5,875,828
Fire	4,531,561	4,078,613
Public Services	9,264,750	8,147,093
Health and Welfare	513,502	482,859
Culture and Recreation	1,010,747	1,295,346
Building and Community Development	1,031,733	986,127
Interest and Fiscal Charges	610,840	584,774
Total Expenses	<u>27,001,371</u>	<u>24,146,523</u>
Increase in Net Assets	1,858,906	4,538,912
Net Assets Beginning of Year	<u>104,932,581</u>	<u>100,393,669</u>
Net Assets End of Year	<u>\$106,791,487</u>	<u>\$104,932,581</u>

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 2 indicates that total 2003 revenues exceeded total expenses by \$1,858,906. However, it also indicates a significant decrease in capital grant revenue and investment income from 2002 to 2003. The decrease in investment income is a reflection of the current economy's low interest rates. The decrease in capital grant program revenue is due to the fact that a \$2,150,000 special assessment was levied in 2002 and no new assessments were levied in 2003.

Total program expenses increased by \$2,854,848 or approximately 11.8 percent. This increase is largely due to an increase in expenses related to capital assets, accounts payable and depreciation.

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 \$15,489,199 in income tax collections or 53.7 percent of total 2003 revenue. Other significant sources of revenue include property taxes and unrestricted grants and entitlements of which the City received \$3,432,388 and \$6,155,914 respectively in 2003. Grants and entitlement revenue consists mainly of homestead and rollback exemptions, local government revenue 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 2.63 percent. In 2003, income tax revenue increased by 1.00 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.

Table 3 presents a summary of governmental activity expenses and the net cost of providing these services (excluding general revenues).

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003	Total Cost of Services 2002	Net Cost of Services 2002
General Government	\$4,028,788	(\$3,933,104)	\$2,695,883	(\$2,619,682)
Public Safety				
Police	6,009,450	(5,745,483)	5,875,828	(5,791,017)
Fire	4,531,561	(4,506,391)	4,078,613	(4,075,573)
Public Services	9,264,750	(8,400,571)	8,147,093	(5,430,026)
Health and Welfare	513,502	(513,502)	482,859	(482,859)
Culture and Recreation	1,010,747	(252,558)	1,295,346	(646,708)
Building and				
Community Development	1,031,733	(516,783)	986,127	(475,090)
Interest and Fiscal Charges	610,840	(610,840)	584,774	(584,774)
Total	<u>\$27,001,371</u>	<u>(\$24,479,232)</u>	<u>\$24,146,523</u>	<u>(\$20,105,729)</u>

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. The increase in the net cost indicates that expenses for programs have increased without a corresponding increase in program revenues.

Public safety expenses totaled \$10,541,011 or 39.0 percent of total 2003 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. As of December 31, 2003 the City employed 43 full time police officers and 39 full time firefighters. Other significant expenses include public service expenses which totaled \$9,264,750 or 34.3 percent of total expenses. The majority of public services expenses include salaries, benefits and capital asset depreciation.

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 \$27,823,906 and \$22,256,684 respectively. The \$5,567,222 excess of revenues over expenditures indicates the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole. The ending fund balance of \$21,230,913 represents approximately 95.4 percent of 2003 general fund expenditures.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Total revenue and expenditures for the bond retirement fund are \$1,004,620 and \$1,296,910 respectively. The bond retirement fund receives revenue through special assessments levied against various property owners. Additional monies are received from other financing sources such as the issuance of bonds and notes and transfers from the general fund. Expenditures are for payment of debt principal, interest and debt related costs.

The capital improvement fund is used to account for the flow of resources related to the construction, acquisition, and renovation of capital assets. The City has made capital improvements a priority and has consistently transferred excess money from the general fund to the capital improvement fund. For 2003, the City expended \$12,499,100 on capital improvement projects.

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 2003, 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 \$24,061,553; final budget amounts were \$27,948,518; and actual revenue collections were \$28,086,570. The majority of the increase in actual revenue over the original budgeted amount is due to estate taxes. Because estate taxes can not be estimated, estate taxes are always conservatively budgeted. Final budgeted appropriations were \$25,589,905 and actual expenditures were \$23,412,664. The City's ending unencumbered cash balance in the general fund was \$2,328,598 above the final budgeted amount.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 compares capital assets as of December 31, 2003 to balances at December 31, 2002.

Table 4
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities	
	2003	2002
Land	\$9,316,036	\$9,316,036
Construction in Progress	3,986,825	1,040,979
Land Improvements	5,526,306	1,576,334
Buildings and Improvements	12,467,246	11,166,894
Furniture and Equipment	1,794,667	1,696,886
Vehicles	1,714,456	2,075,796
Infrastructure		
Streets	28,444,033	27,672,130
Water Lines	2,698,372	2,478,624
Sanitary Sewers	1,559,997	1,595,085
Storm Sewers	1,147,747	1,174,352
<i>Totals</i>	\$68,655,685	\$59,793,116

Total capital assets (net of accumulated depreciation) as of December 31, 2003 were \$68,655,685, which is an increase of \$8,862,569 over 2002 capital assets. The most significant increases were in land improvements, construction in progress and buildings. The increases in land improvements and buildings are due to the completion of the new Beachwood Family Aquatic Center and the increase in construction in progress is due to the renovation of city hall and restoration of Signature Park West.

The City disposed of \$104,903 worth of assets in 2003. This includes the old Fire Station #1 which was demolished as part of the city hall renovation and a sidewalk plow which was traded-in for a new plow.

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 8 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, 2003
Unaudited

Debt

Table 5 summarizes outstanding debt at December 31, 2003 compared to December 31, 2002.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2003	2002
General Obligation Bonds	\$3,715,000	\$3,850,000
Special Assessment Bonds	7,668,000	8,209,000
<i>Totals</i>	\$11,383,000	\$12,059,000

No new debt was issued in 2003. 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 Note 14 to the basic financial statements for more information regarding the City's outstanding debt.

Current Financial Related Activities

The City's budget for 2004 anticipates the current economic downturn will improve slightly throughout 2004. A modest two to three percent increase has been budgeted for the City's major revenue sources. When preparing the 2004 budget, the Mayor asked department directors to request minimal increases, excluding salaries and benefits, from the 2003 budget. Because of the City's strong financial position and the City's commitment to protecting the level of services afforded all citizens, the current economy 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 2003, construction was completed on the new Beachwood Family Aquatic Center, major renovations to city hall were started and restoration of Signature Park West began. 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 2004, \$5,000,000 has been budgeted for infrastructure improvements.

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.

City of Beachwood, Ohio

Statement of Net Assets

December 31, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$40,329,323
Cash and Cash Equivalents in Segregated Accounts	60
Investments	18,000
Materials and Supplies Inventory	413,090
Accrued Interest Receivable	39,090
Accounts Receivable	110,412
Intergovernmental Receivable	1,236,185
Prepaid Items	293,990
Taxes Receivable	6,328,933
Special Assessments Receivable	7,801,417
Nondepreciable Capital Assets	13,302,861
Depreciable Capital Assets, Net	<u>55,352,824</u>
<i>Total Assets</i>	<u>125,226,185</u>
Liabilities	
Accounts Payable	1,175,485
Retainage Payable	403,167
Accrued Wages and Benefits	590,196
Intergovernmental Payable	656,245
Deferred Revenue	2,639,654
Accrued Interest Payable	48,645
Long-Term Liabilities:	
Due Within One Year	1,333,653
Due In More Than One Year	<u>11,587,653</u>
<i>Total Liabilities</i>	<u>18,434,698</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	57,272,685
Restricted for:	
Capital Projects	19,948,366
Debt Service	7,829,221
Streets	580,320
Other Purposes	247,407
Unrestricted	<u>20,913,488</u>
<i>Total Net Assets</i>	<u><u>\$106,791,487</u></u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Assessments	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
General Government:					
Legislative and Executive	\$4,028,788	\$95,684	\$0	\$0	(\$3,933,104)
Public Safety:					
Police	6,009,450	239,440	24,527	0	-5,745,483
Fire	4,531,561	0	25,170	0	-4,506,391
Public Services	9,264,750	0	358,649	505,530	-8,400,571
Health and Welfare	513,502	0	0	0	-513,502
Culture and Recreation	1,010,747	758,189	0	0	-252,558
Building and					
Community Development	1,031,733	514,950	0	0	-516,783
Interest and Fiscal Charges	610,840	0	0	0	-610,840
<i>Total Governmental Activities</i>	<u>\$27,001,371</u>	<u>\$1,608,263</u>	<u>\$408,346</u>	<u>\$505,530</u>	<u>-24,479,232</u>
General Revenues					
Property Taxes Levied for					
General Purposes					3,241,615
Police Pension					190,773
Municipal Income Taxes Levied for					
General Purposes					15,489,199
Grants and Entitlements not Restricted					
to Specific Programs					6,155,914
Investment Earnings					1,012,572
Gain on Sale of Capital Assets					2,500
Other					245,565
<i>Total General Revenues</i>					<u>26,338,138</u>
Change in Net Assets					1,858,906
<i>Net Assets Beginning of Year</i>					<u>104,932,581</u>
<i>Net Assets End of Year</i>					<u>\$106,791,487</u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	General	Bond Retirement	Capital Improvements
Assets			
Equity in Pooled Cash and Cash Equivalents	\$18,372,371	\$486,219	\$20,696,398
Cash and Cash Equivalents In Segregated Accounts	60	0	0
Investments	0	18,000	0
Taxes Receivable	6,116,166	0	0
Accounts Receivable	110,412	0	0
Intergovernmental Receivable	1,105,868	0	0
Interfund Receivable	1,500	0	0
Accrued Interest Receivable	39,090	0	0
Materials and Supplies Inventory	413,090	0	0
Prepaid Items	293,990	0	0
Special Assessments Receivable	0	7,373,647	427,770
<i>Total Assets</i>	<u>\$26,452,547</u>	<u>\$7,877,866</u>	<u>\$21,124,168</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$312,637	\$0	\$772,635
Retainage Payable	0	0	403,167
Accrued Wages and Benefits	590,196	0	0
Intergovernmental Payable	322,766	0	0
Interfund Payable	0	0	0
Deferred Revenue	3,996,035	7,373,647	427,770
<i>Total Liabilities</i>	<u>5,221,634</u>	<u>7,373,647</u>	<u>1,603,572</u>
Fund Balances			
Reserved for Encumbrances	1,079,978	0	11,286,024
Unreserved			
Undesignated, Reported in:			
General Fund	20,150,935	0	0
Special Revenue Funds	0	0	0
Debt Service Fund	0	504,219	0
Capital Projects Fund	0	0	8,234,572
<i>Total Fund Balances</i>	<u>21,230,913</u>	<u>504,219</u>	<u>19,520,596</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$26,452,547</u>	<u>\$7,877,866</u>	<u>\$21,124,168</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, 2003*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$41,977,870
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$774,335	\$40,329,323	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	68,655,685
0	60		
0	18,000	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
212,767	6,328,933	Property Taxes	197,171
0	110,412	Intergovernmental	514,756
130,317	1,236,185	Special Assessments	7,865,530
0	1,500	Municipal Income Taxes	<u>883,905</u>
0	39,090		
0	413,090	Total	9,461,362
0	293,990		
0	7,801,417	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.	(333,479)
<u>\$1,117,419</u>	<u>\$56,572,000</u>		
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due.	(48,645)
\$90,213	\$1,175,485	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.	
0	403,167	Special Assessment Bonds	(7,668,000)
0	590,196	General Obligation Bonds	(3,715,000)
0	322,766	Compensated Absences	<u>(1,538,306)</u>
1,500	1,500		
303,564	12,101,016	Total	<u>(12,921,306)</u>
<u>395,277</u>	<u>14,594,130</u>		
		<i>Net Assets of Governmental Activities</i>	<u><u>\$106,791,487</u></u>
213,375	12,579,377		
0	20,150,935		
508,767	508,767		
0	504,219		
0	8,234,572		
<u>722,142</u>	<u>41,977,870</u>		
<u>\$1,117,419</u>	<u>\$56,572,000</u>		

City of Beachwood, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Bond Retirement	Capital Improvements
Revenues			
Property and Other Taxes	\$3,190,009	\$0	\$0
Municipal Income Taxes	15,889,265	0	0
Charges for Services	841,764	0	0
Fines, Licenses, and Permits	731,441	0	0
Intergovernmental	6,170,399	0	0
Special Assessments	0	894,773	77,760
Interest	888,633	109,847	0
Other	112,395	0	133,170
<i>Total Revenues</i>	<u>27,823,906</u>	<u>1,004,620</u>	<u>210,930</u>
Expenditures			
Current:			
General Government:			
Legislative and Executive	3,020,554	0	0
Public Safety:			
Police	5,774,954	0	0
Fire	4,242,409	0	0
Public Services	6,068,966	0	0
Health and Welfare	508,654	0	0
Culture and Recreation	1,603,876	0	0
Building and Community Development	1,037,271	0	0
Capital Outlay	0	0	12,499,069
Debt Service:			
Principal Retirement	0	676,000	0
Interest and Fiscal Charges	0	620,910	0
<i>Total Expenditures</i>	<u>22,256,684</u>	<u>1,296,910</u>	<u>12,499,069</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,567,222</u>	<u>(292,290)</u>	<u>(12,288,139)</u>
Other Financing Sources (Uses)			
Transfers In	0	339,783	2,500,000
Transfers Out	(2,839,783)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,839,783)</u>	<u>339,783</u>	<u>2,500,000</u>
<i>Net Change in Fund Balances</i>	2,727,439	47,493	(9,788,139)
<i>Fund Balances Beginning of Year</i>	<u>18,503,474</u>	<u>456,726</u>	<u>29,308,735</u>
<i>Fund Balances End of Year</i>	<u>\$21,230,913</u>	<u>\$504,219</u>	<u>\$19,520,596</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, 2003*

Other Governmental Funds	Total Governmental Funds
\$186,588	\$3,376,597
0	15,889,265
0	841,764
30,989	762,430
421,997	6,592,396
24,527	997,060
14,092	1,012,572
0	245,565
<u>678,193</u>	<u>29,717,649</u>
997	3,021,551
284,349	6,059,303
25,170	4,267,579
316,072	6,385,038
0	508,654
0	1,603,876
0	1,037,271
0	12,499,069
0	676,000
0	620,910
<u>626,588</u>	<u>36,679,251</u>
51,605	(6,961,602)
0	2,839,783
0	(2,839,783)
0	0
51,605	(6,961,602)
<u>670,537</u>	<u>48,939,472</u>
<u>\$722,142</u>	<u>\$41,977,870</u>

Net Change in Fund Balances - Total Governmental Funds (\$6,961,602)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	12,490,100	
Current Year Depreciation	<u>(3,600,887)</u>	
Total		8,889,213

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. (26,644)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	55,791	
Intergovernmental	(52,663)	
Special Assessments	(467,003)	
Fines, Licenses, and Permits	4,069	
Municipal Income Taxes	<u>(400,066)</u>	
Total		(859,872)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 676,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 10,070

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represents contractually required pension contributions), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(159,976)	
Pension Obligation	<u>291,717</u>	
Total		131,741

Change in Net Assets of Governmental Activities \$1,858,906

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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$3,242,523	\$3,158,523	\$3,201,647	\$43,124
Municipal Income Taxes	15,700,000	15,772,000	15,776,635	4,635
Charges for Services	663,600	834,600	839,504	4,904
Fines, Licenses, and Permits	654,800	718,347	731,431	13,084
Intergovernmental	2,151,530	6,044,948	6,103,227	58,279
Interest	1,500,000	1,306,000	1,318,945	12,945
Other	149,100	114,100	115,181	1,081
<i>Total Revenues</i>	<u>24,061,553</u>	<u>27,948,518</u>	<u>28,086,570</u>	<u>138,052</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,822,104	3,922,104	3,543,589	378,515
Public Safety:				
Police	6,393,319	6,393,319	6,011,873	381,446
Fire	4,564,937	4,584,937	4,401,236	183,701
Public Services	7,030,948	6,905,948	6,256,855	649,093
Health and Welfare	597,379	597,379	505,131	92,248
Culture and Recreation	1,734,147	1,897,547	1,668,466	229,081
Building and Community Development	1,288,671	1,288,671	1,025,514	263,157
<i>Total Expenditures</i>	<u>25,431,505</u>	<u>25,589,905</u>	<u>23,412,664</u>	<u>2,177,241</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	-1,369,952	2,358,613	4,673,906	2,315,293
Other Financing Uses				
Transfers Out	-2,853,088	-2,853,088	-2,839,783	13,305
<i>Net Change in Fund Balance</i>	-4,223,040	-494,475	1,834,123	2,328,598
<i>Fund Balance Beginning of Year</i>	13,744,478	13,744,478	13,744,478	0
Prior Year Encumbrances Appropriated	1,376,627	1,376,627	1,376,627	0
<i>Fund Balance End of Year</i>	<u>\$10,898,065</u>	<u>\$14,626,630</u>	<u>\$16,955,228</u>	<u>\$2,328,598</u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	Private Purpose Trust	
	Leo Weiss Trust	Agency
Assets		
Equity Pooled in Cash and Cash Equivalents	\$1,119	\$460,441
Liabilities		
Undistributed Monies	0	\$42,022
Deposits Held and Due to Others	0	418,419
<i>Total Liabilities</i>	0	\$460,441
Net Assets		
Held in Trust for Recreation	\$1,119	

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, 2003

	<u>Leo Weiss Trust</u>
Additions	
Interest	\$34
Deductions	
Materials and Supplies	<u>39</u>
<i>Change in Net Assets</i>	(5)
<i>Net Assets Beginning of Year</i>	<u>1,124</u>
<i>Net Assets End of Year</i>	<u><u>\$1,119</u></u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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. 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. The Mayor is elected every four years.

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 13 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, 2003

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 transfers from the general fund and the collection of special assessments levied against benefited properties for the payment of special assessment and general obligation bond principal, interest and related costs.

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

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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 year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 5.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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, licenses and permits, interest, grants and rentals.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 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 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 2003, investments were limited to STAROhio, manuscript bonds, federal national mortgage notes, federal home loan 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, 2003.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$888,633, which includes \$427,347 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, 2003, 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 capital 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
Land Improvements	20 years
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, 2003

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. The City records a liability for accumulated unused sick leave for all employees with 10 or more years of service or for employees age 50 or over regardless of years of service.

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. Net assets restricted for other purposes include police, street lights, and improvement to Mayor's court.

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

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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.

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 other funds. Budgetary statements are presented beyond that legal level of control for information purposes only. The Finance Director with approval from the Mayor has been authorized to allocate appropriations to the function and object level within each fund.

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 enacted by Council.

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 - 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 Balance - 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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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	\$2,727,439
Net Adjustments for Revenue Accruals	(196,267)
Beginning Fair Value Adjustment for Investments	496,879
Ending Fair Value Adjustment for Investments	(37,948)
Net Adjustments for Expenditure Accruals	223,215
Encumbrances	<u>(1,379,195)</u>
Budget Basis	<u><u>\$1,834,123</u></u>

Note 4 - Deposits and Investments

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

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

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

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

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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.

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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 \$1,479,077 and the bank balance was \$2,230,144. \$343,271 of the bank balance was covered by federal depository insurance. \$1,886,873 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 <u>1</u>	Category <u>3</u>	Carrying Value	Fair Value
Repurchase Agreements	\$0	\$4,486,095	\$4,486,095	\$4,486,095
Federal National Mortgage Notes	0	5,013,194	5,033,437	5,033,437
U.S. Treasury Notes	0	14,957,605	15,043,125	15,043,125
Manuscript Bonds	18,000	0	18,000	18,000
Federal Home Loan Notes	0	11,135,058	11,060,148	11,060,148
Student Loan Notes	0	2,030,355	2,037,500	2,037,500
STAROhio	0	0	1,651,561	1,651,561
Total Investments	<u>\$18,000</u>	<u>\$37,622,307</u>	<u>\$39,329,866</u>	<u>\$39,329,866</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.

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 <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$40,790,943	\$18,000
Repurchase Agreements	(4,486,095)	4,486,095
Federal National Mortgage Notes	(5,033,437)	5,033,437
U.S. Treasury Notes	(15,043,125)	15,043,125
Federal Home Loan Notes	(11,060,148)	11,060,148
Student Loan Notes	(2,037,500)	2,037,500
STAROhio	<u>(1,651,561)</u>	<u>1,651,561</u>
GASB Statement No. 3	<u>\$1,479,077</u>	<u>\$39,329,866</u>

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 5 - Receivables

Receivables at December 31, 2003, 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. All except special assessments are expected to be collected within one year.

Special assessments expected to be collected in more than one year amount to \$6,930,014 in the Bond Retirement Fund.

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 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes which became a lien December 31, 2002, are levied after October 1, 2003, and collected in 2004 real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002 on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

The tax rate for all City operations for the year ended December 31, 2003, was \$4.00 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$682,273,640
Tangible Personal Property	59,598,455
Public Utility Property	<u>13,265,590</u>
Total Valuation	<u><u>\$755,137,685</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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003 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 2003 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 the remainder of the receivable 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	\$817,218
Local Government Tax	273,503
Homestead and Rollback	140,517
Other	<u>4,947</u>
Total	<u>\$1,236,185</u>

Note 6 - 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 7 – 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.

Transfers of \$2,500,000 and \$339,783 were made during calendar year 2003 from the general fund to the capital improvement fund and the bond retirement fund respectively. The transfer to the capital improvement fund was made to move unrestricted balances to support the capital projects of the City. The transfer to the bond retirement fund was to move money for the payment of general obligation bonds.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 8 – Capital Assets

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

	Balance <u>12/31/02</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/03</u>
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$9,316,036	\$0	\$0	\$9,316,036
Construction in Progress	<u>1,040,979</u>	<u>3,986,825</u>	<u>(1,040,979)</u>	<u>3,986,825</u>
<i>Total Capital Assets, not being depreciated</i>	<u>10,357,015</u>	<u>3,986,825</u>	<u>(1,040,979)</u>	<u>13,302,861</u>
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,638,966	4,031,920	0	5,670,886
Buildings and Improvements	14,041,157	1,589,925	(70,500)	15,560,582
Furniture and Equipment	2,955,191	350,801	(22,005)	3,283,987
Vehicles	5,210,757	83,035	0	5,293,792
Infrastructure				
Streets	43,598,017	3,202,924	(12,398)	46,788,543
Water Lines	2,933,403	285,649	0	3,219,052
Sanitary Sewers	1,754,430	0	0	1,754,430
Storm Sewers	<u>1,330,229</u>	<u>0</u>	<u>0</u>	<u>1,330,229</u>
<i>Total Capital Assets, being depreciated</i>	<u>\$73,462,150</u>	<u>\$9,544,254</u>	<u>(\$104,903)</u>	<u>\$82,901,501</u>

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance <u>12/31/02</u>	Additions	Deletions	Balance <u>12/31/03</u>
Less Accumulated Depreciation				
Land Improvements	(\$62,632)	(\$81,948)	\$0	(\$144,580)
Buildings and Improvements	(2,874,263)	(280,683)	61,610	(3,093,336)
Furniture and Equipment	(1,258,305)	(243,015)	12,000	(1,489,320)
Vehicles	(3,134,961)	(444,375)	0	(3,579,336)
Infrastructure				
Streets	(15,925,887)	(2,423,272)	4,649	(18,344,510)
Water Lines	(454,779)	(65,901)	0	(520,680)
Sanitary Sewers	(159,345)	(35,088)	0	(194,433)
Storm Sewers	<u>(155,877)</u>	<u>(26,605)</u>	<u>0</u>	<u>(182,482)</u>
<i>Total Accumulated Depreciation</i>	<u>(24,026,049)</u>	<u>(3,600,887) *</u>	<u>78,259</u>	<u>(27,548,677)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>49,436,101</u>	<u>5,943,367</u>	<u>(26,644)</u>	<u>55,352,824</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$59,793,116</u>	<u>\$9,930,192</u>	<u>(\$1,067,623)</u>	<u>\$68,655,685</u>

* Depreciation expense was charged to governmental activities as follows:

General Government:	
Legislative and Executive	\$125,271
Public Safety:	
Police	163,787
Fire	272,935
Public Services	2,916,792
Health and Welfare	13,120
Culture and Recreation	90,324
Building and Community Development	<u>18,658</u>
Total Depreciation Expense	<u>\$3,600,887</u>

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. 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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement of public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional, combined and member-directed plans for the years ended December 31, 2003, 2002 and 2001 were \$568,828, \$526,228, and \$535,317 respectively; 90.65 percent has been contributed for 2003 and 100 percent for 2002 and 2001.

B. Ohio Police and Fire Pension Fund

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

Plan members 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. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2003, 2002, and 2001 were \$753,954, \$693,145, and \$701,160 respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 71.70 percent has been contributed for 2003 with the remainder being reported as a liability.

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, 2003, 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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 10 - 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 with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.31 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2002, 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 .50 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 annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual contributions for 2003 which were used to fund postemployment benefits were \$332,648. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2002 (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

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 service, disability or survivor 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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 OP&F 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 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$222,237 for police and \$198,883 for fire. The OP&F's total health care expenses for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

Note 11 - 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 150 percent of the annual accrual.

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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the City contracted with Scottsdale Indemnity Company for various types of insurance as follows:

<u>Type</u>	<u>Coverage</u>
Employee Dishonesty	\$100,000
Law Enforcement Liability	1,000,000
Money and Securities	25,000
Automobile - Comprehensive	1,000,000
Blanket Coverage - All Property	41,520,627
General Liability	1,000,000
Public Officials	1,000,000
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.

Note 13 - 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.

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 2003. Financial information can be obtained by contacting Dan DiLiberto, Board Chairman, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 14 - Long-Term Obligations

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

	<u>Outstanding</u> <u>12/31/02</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding</u> <u>12/31/03</u>	<u>Amounts Due</u> <u>In One Year</u>
Special Assessment Bonds					
\$84,000 1981 9.625%					
Annesly Road Improvement	\$5,000	\$0	(\$5,000)	\$0	\$0
\$127,000 1985 9.375%					
Timberland Drive Improvement	24,000	0	(6,000)	18,000	6,000
\$670,000 1988 7.500%					
Blossom Lane Improvement	300,000	0	(40,000)	260,000	45,000
\$235,000 1989 7.150%					
Meadoway Drive Improvement	120,000	0	(15,000)	105,000	15,000
\$4,855,000 1990 7.000%					
Various Projects	2,790,000	0	(270,000)	2,520,000	290,000
\$610,000 1994 6.750%					
Various Projects	455,000	0	(25,000)	430,000	30,000
\$2,270,000 1994 4.900%					
George Zeigler Drive Improvements	1,835,000	0	(85,000)	1,750,000	95,000
\$555,000 2000 5.400%					
Street and Sewer Improvements	530,000	0	(15,000)	515,000	20,000
\$2,150,000 2002 2.250%					
Various Projects	<u>2,150,000</u>	<u>0</u>	<u>(80,000)</u>	<u>2,070,000</u>	<u>80,000</u>
<i>Total Special Assessments Bonds</i>	8,209,000	0	(541,000)	7,668,000	581,000
\$3,850,000 2002 2.250%					
Fire Station General Obligation Bond	3,850,000	0	(135,000)	3,715,000	140,000
Compensated Absences	<u>1,378,330</u>	<u>208,464</u>	<u>(48,488)</u>	<u>1,538,306</u>	<u>612,653</u>
<i>Total General Long-term Obligations</i>	<u>\$13,437,330</u>	<u>\$208,464</u>	<u>(\$724,488)</u>	<u>\$12,921,306</u>	<u>\$1,333,653</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 \$76,078,676 at December 31, 2003. Principal and interest requirements to retire outstanding special assessment bonds at December 31, 2003, are as follows:

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Year	Special Assessment Bonds		General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2004	\$581,000	\$433,185	\$140,000	\$150,550	\$1,304,735
2005	611,000	398,315	145,000	147,400	1,301,715
2006	641,000	361,425	145,000	144,138	1,291,563
2007	675,000	322,468	150,000	140,368	1,287,836
2008	720,000	281,102	150,000	136,017	1,287,119
2009-2013	2,380,000	834,325	850,000	597,102	4,661,427
2014-2018	1,395,000	342,615	1,075,000	409,715	3,222,330
2019-2022	665,000	78,585	1,060,000	131,678	1,935,263
Total	<u>\$7,668,000</u>	<u>\$3,052,020</u>	<u>\$3,715,000</u>	<u>\$1,856,968</u>	<u>\$16,291,988</u>

Note 15 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2003:

Project	Contract Amount	Amount Paid	Remaining on Contract
Municipal Center Renovation	\$11,539,102	(\$3,100,404)	\$8,438,698
MDT Project	207,826	(187,243)	20,583
Economic Development	385,500	(147,178)	238,322
Signature Park Design	1,340,075	(557,302)	782,773
Beachwood Family Aquatic Center	137,107	(87,107)	50,000
Road Improvements	2,563,434	(1,899,011)	664,423
Storm and Sanitary Sewer Improvements	2,341,144	(2,042,531)	298,613
Total	<u>\$18,514,188</u>	<u>(\$8,020,776)</u>	<u>\$10,493,412</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.

Federal Emergency Management Agency Fund – This fund accounts for monies received from the Federal Emergency Management Agency to pay for expenses incurred during emergencies.

City of Beachwood, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003

	Street Construction, Maintenance and Repair	State Highway	Mayor's Court Improvement
Assets			
Equity in Pooled Cash and Cash Equivalents	\$484,604	\$66,151	\$48,987
Taxes Receivable	0	0	0
Intergovernmental Receivable	110,796	8,982	0
<i>Total Assets</i>	<u>\$595,400</u>	<u>\$75,133</u>	<u>\$48,987</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$77,463	\$12,750	\$0
Interfund Payable	0	0	0
Deferred Revenue	74,240	6,018	0
<i>Total Liabilities</i>	<u>151,703</u>	<u>18,768</u>	<u>0</u>
Fund Balances			
Reserved for Encumbrances	174,537	11,473	0
Unreserved, Undesignated, Reported in Special Revenue Funds	269,160	44,892	48,987
<i>Total Fund Balances</i>	<u>443,697</u>	<u>56,365</u>	<u>48,987</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$595,400</u>	<u>\$75,133</u>	<u>\$48,987</u>

Law Enforcement Trust	Police Pension	Street Lights	Paramedic Trust	Total Nonmajor Governmental Funds
\$35,558	\$56,550	\$78,756	\$3,729	\$774,335
0	212,767	0	0	212,767
0	10,539	0	0	130,317
<u>\$35,558</u>	<u>\$279,856</u>	<u>\$78,756</u>	<u>\$3,729</u>	<u>\$1,117,419</u>
\$0	\$0	\$0	\$0	\$90,213
0	0	1,500	0	1,500
0	223,306	0	0	303,564
0	223,306	1,500	0	395,277
0	27,365	0	0	213,375
35,558	29,185	77,256	3,729	508,767
35,558	56,550	77,256	3,729	722,142
<u>\$35,558</u>	<u>\$279,856</u>	<u>\$78,756</u>	<u>\$3,729</u>	<u>\$1,117,419</u>

City of Beachwood, Ohio
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2003

	Street Construction, Maintenance and Repair	State Highway	Mayor's Court Improvement	Law Enforcement Trust
Revenues				
Property and Other Taxes	\$0	\$0	\$0	\$0
Fines, Licenses, and Permits	0	0	10,350	20,639
Intergovernmental	347,679	28,190	0	0
Special Assessments	0	0	0	0
Interest	9,026	4,926	0	140
<i>Total Revenues</i>	<u>356,705</u>	<u>33,116</u>	<u>10,350</u>	<u>20,779</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	0	0	997	0
Public Safety:				
Police	0	0	0	0
Fire	0	0	0	0
Public Services	81,313	234,759	0	0
<i>Total Expenditures</i>	<u>81,313</u>	<u>234,759</u>	<u>997</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	275,392	(201,643)	9,353	20,779
<i>Fund Balances Beginning of Year</i>	<u>168,305</u>	<u>258,008</u>	<u>39,634</u>	<u>14,779</u>
<i>Fund Balances End of Year</i>	<u><u>\$443,697</u></u>	<u><u>\$56,365</u></u>	<u><u>\$48,987</u></u>	<u><u>\$35,558</u></u>

Police Pension	Street Lights	Paramedic Trust	Federal Emergency Management Agency	Total Nonmajor Governmental Funds
\$186,588	\$0	\$0	\$0	\$186,588
0	0	0	0	30,989
20,958	0	0	25,170	421,997
0	24,527	0	0	24,527
0	0	0	0	14,092
<u>207,546</u>	<u>24,527</u>	<u>0</u>	<u>25,170</u>	<u>678,193</u>
0	0	0	0	997
269,484	14,865	0	0	284,349
0	0	0	25,170	25,170
0	0	0	0	316,072
<u>269,484</u>	<u>14,865</u>	<u>0</u>	<u>25,170</u>	<u>626,588</u>
(61,938)	9,662	0	0	51,605
118,488	67,594	3,729	0	670,537
<u>\$56,550</u>	<u>\$77,256</u>	<u>\$3,729</u>	<u>\$0</u>	<u>\$722,142</u>

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 Permits 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, 2003

	Beginning Balance 1/1/03	Additions	Deductions	Ending Balance 12/31/03
Commercial Permits Tax				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$685	\$10,124	\$10,301	\$508
Liabilities				
Undistributed Monies	\$685	\$10,124	\$10,301	\$508
Special Trust and Agency				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$248,538	\$248,538	\$0
Liabilities				
Deposits Held and Due to Others	\$0	\$248,538	\$248,538	\$0
Unclaimed Monies				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$41,349	\$706	\$541	\$41,514
Liabilities				
Undistributed Monies	\$41,349	\$706	\$541	\$41,514
Deposits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$323,582	\$402,147	\$307,310	\$418,419
Liabilities				
Deposits Held and Due to Others	\$323,582	\$402,147	\$307,310	\$418,419
Total - All Agency Funds				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$365,616	\$661,515	\$566,690	\$460,441
Liabilities				
Undistributed Monies	\$42,034	\$10,830	\$10,842	\$42,022
Deposits Held and Due to Others	323,582	650,685	555,848	418,419
<i>Total Liabilities</i>	\$365,616	\$661,515	\$566,690	\$460,441

**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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$3,242,523	\$3,158,523	\$3,201,647	\$43,124
Municipal Income Taxes	15,700,000	15,772,000	15,776,635	4,635
Charges for Services	663,600	834,600	839,504	4,904
Fines, Licenses, and Permits	654,800	718,347	731,431	13,084
Intergovernmental	2,151,530	6,044,948	6,103,227	58,279
Interest	1,500,000	1,306,000	1,318,945	12,945
Other	149,100	114,100	115,181	1,081
<i>Total Revenues</i>	24,061,553	27,948,518	28,086,570	138,052
Expenditures				
General Government:				
Legislative and Executive:				
Council:				
Personal Services	146,610	108,110	98,294	9,816
Contractual Services	88,500	127,000	126,249	751
Materials and Supplies	1,800	1,800	293	1,507
Other	73,780	73,780	58,542	15,238
Total Council	310,690	310,690	283,378	27,312
Mayor:				
Personal Services	372,973	372,973	360,337	12,636
Contractual Services	15,300	15,300	12,309	2,991
Materials and Supplies	31,177	31,177	27,928	3,249
Capital Outlay	48,540	48,540	47,906	634
Other	31,930	31,930	24,779	7,151
Total Mayor	499,920	499,920	473,259	26,661
Finance Director:				
Personal Services	804,093	804,093	788,470	15,623
Contractual Services	828,458	828,458	811,277	17,181
Materials and Supplies	27,723	27,723	25,599	2,124
Capital Outlay	103,815	103,815	19,362	84,453
Other	384,699	384,699	349,686	35,013
Total Finance Director	2,148,788	2,148,788	1,994,394	154,394
Law Department:				
Personal Services	523,215	468,215	365,607	102,608
Contractual Services	211,418	378,418	378,289	129
Materials and Supplies	17,388	17,388	12,365	5,023
Capital Outlay	8,000	8,000	3,788	4,212
Other	102,685	90,685	32,509	58,176
Total Law Department	862,706	962,706	792,558	170,148
Total General Government	\$3,822,104	\$3,922,104	\$3,543,589	\$378,515

(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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety:				
Police Department:				
Personal Services	\$5,283,073	\$5,283,073	\$5,077,576	\$205,497
Contractual Services	\$377,657	401,657	362,129	39,528
Materials and Supplies	71,163	71,163	52,344	18,819
Capital Outlay	527,827	517,827	435,331	82,496
Other	133,599	119,599	84,493	35,106
Total Police Department	6,393,319	6,393,319	6,011,873	381,446
Fire Department:				
Personal Services	4,060,690	4,080,690	3,933,199	147,491
Contractual Services	79,209	79,209	71,369	7,840
Materials and Supplies	88,358	88,358	73,760	14,598
Capital Outlay	298,687	298,687	290,872	7,815
Other	37,993	37,993	32,036	5,957
Total Fire Department	4,564,937	4,584,937	4,401,236	183,701
Total Public Safety	10,958,256	10,978,256	10,413,109	565,147
Public Services:				
Service Department:				
Personal Services	475,620	475,620	461,288	14,332
Contractual Services	7,125	7,125	5,076	2,049
Materials and Supplies	50,729	50,729	43,726	7,003
Capital Outlay	16,905	16,905	4,956	11,949
Other	21,416	21,416	19,173	2,243
Total Service Department	571,795	571,795	534,219	37,576
Building and Grounds:				
Personal Services	1,052,037	857,037	808,286	48,751
Contractual Services	548,344	550,844	470,042	80,802
Materials and Supplies	216,621	216,621	194,980	21,641
Capital Outlay	26,297	38,797	38,399	398
Other	38,663	73,663	65,284	8,379
Total Building and Grounds	1,881,962	1,736,962	1,576,991	159,971
Fleet Maintenance:				
Personal Services	612,524	599,524	583,870	15,654
Contractual Services	85,706	67,706	52,980	14,726
Materials and Supplies	416,388	457,388	442,003	15,385
Capital Outlay	15,000	15,000	14,190	810
Total Fleet Maintenance	\$1,129,618	\$1,139,618	\$1,093,043	\$46,575

(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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Streets, Sidewalks, and Sewers:				
Personal Services	\$1,283,297	\$1,283,297	\$1,212,455	\$70,842
Contractual Services	204,850	204,850	131,017	73,833
Materials and Supplies	570,202	570,202	506,721	63,481
Capital Outlay	226,265	226,265	131,640	94,625
Other	5,550	5,550	2,889	2,661
Total Streets, Sidewalks, and Sewers	2,290,164	2,290,164	1,984,722	305,442
Sanitation:				
Personal Services	599,830	609,830	602,742	7,088
Contractual Services	241,313	237,313	204,858	32,455
Materials and Supplies	12,000	16,000	13,542	2,458
Capital Outlay	37,276	37,276	33,581	3,695
Other	1,112	1,112	896	216
Total Sanitation	891,531	901,531	855,619	45,912
Engineering Department:				
Personal Services	213,726	208,526	167,901	40,625
Contractual Services	34,000	42,000	41,443	557
Materials and Supplies	6,500	5,500	470	5,030
Capital Outlay	4,000	4,000	135	3,865
Other	7,652	5,852	2,312	3,540
Total Engineering Department	265,878	265,878	212,261	53,617
Total Public Services	7,030,948	6,905,948	6,256,855	649,093
Health and Welfare:				
Human Services Department:				
Personal Services	347,298	347,298	304,346	42,952
Contractual Services	148,394	148,394	114,430	33,964
Materials and Supplies	56,700	56,700	50,565	6,135
Capital Outlay	6,300	6,300	1,322	4,978
Other	38,687	38,687	34,468	4,219
Total Health and Welfare	597,379	597,379	505,131	92,248
Culture and Recreation				
Recreation Administration:				
Personal Services	321,498	321,498	317,481	4,017
Contractual Services	247,705	247,705	243,542	4,163
Materials and Supplies	22,840	22,840	19,321	3,519
Capital Outlay	1,700	1,700	996	704
Other	24,388	24,388	21,623	2,765
Total Recreation Administration	\$618,131	\$618,131	\$602,963	\$15,168

(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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation Camps:				
Personal Services	\$215,100	\$215,100	\$205,493	\$9,607
Contractual Services	81,000	81,000	59,640	21,360
Materials and Supplies	20,300	20,300	16,574	3,726
Capital Outlay	1,499	1,499	811	688
Other	3,000	3,000	3,000	0
Total Recreation Camps	320,899	320,899	285,518	35,381
Recreation Child Care:				
Personal Services	16,400	24,800	18,420	6,380
Contractual Services	500	500	0	500
Materials and Supplies	2,100	2,100	774	1,326
Other	700	700	696	4
Total Recreation Child Care	19,700	28,100	19,890	8,210
Recreation Sports Programs:				
Personal Services	21,303	28,303	23,311	4,992
Contractual Services	78,088	71,088	53,215	17,873
Materials and Supplies	34,627	34,127	29,392	4,735
Capital Outlay	4,500	4,500	3,719	781
Other	4,795	5,295	5,049	246
Total Recreation Sports Programs	143,313	143,313	114,686	28,627
Recreation Other Programs:				
Personal Services	91,821	96,821	95,076	1,745
Contractual Services	82,317	80,817	72,576	8,241
Materials and Supplies	6,032	7,532	6,972	560
Capital Outlay	3,000	5,000	3,198	1,802
Other	9,000	7,000	5,820	1,180
Total Recreation Other Programs	192,170	197,170	183,642	13,528
Recreation Parks/Swimming Pools:				
Personal Services	203,530	333,530	272,453	61,077
Contractual Services	107,582	112,582	76,712	35,870
Materials and Supplies	63,216	48,716	42,671	6,045
Capital Outlay	50,500	80,000	68,374	11,626
Other	15,106	15,106	1,557	13,549
Total Recreation Parks/Swimming Pools	439,934	589,934	461,767	128,167
Total Culture and Recreation	\$1,734,147	\$1,897,547	\$1,668,466	\$229,081

(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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Building and Community Development:				
Building Development:				
Personal Services	\$1,022,113	\$1,022,113	\$922,787	\$99,326
Contractual Services	140,537	140,537	37,610	102,927
Materials and Supplies	22,466	22,466	18,906	3,560
Capital Outlay	71,620	71,620	26,516	45,104
Other	31,935	31,935	19,695	12,240
Total Building and Community Development	1,288,671	1,288,671	1,025,514	263,157
<i>Total Expenditures</i>	25,431,505	25,589,905	23,412,664	2,177,241
<i>Excess of Revenues Over Expenditures</i>	(1,369,952)	2,358,613	4,673,906	2,315,293
Other Financing Uses				
Transfers Out	(2,853,088)	(2,853,088)	(2,839,783)	13,305
<i>Net Change in Fund Balance</i>	(4,223,040)	(494,475)	1,834,123	2,328,598
<i>Fund Balance Beginning of Year</i>	13,744,478	13,744,478	13,744,478	0
Prior Year Encumbrances Appropriated	1,376,627	1,376,627	1,376,627	0
<i>Fund Balance End of Year</i>	\$10,898,065	\$14,626,630	\$16,955,228	\$2,328,598

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, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Special Assessments	\$869,153	\$869,153	\$894,773	\$25,620
Interest	109,847	109,847	109,847	0
<i>Total Revenues</i>	979,000	979,000	1,004,620	25,620
Expenditures				
Debt Service:				
Principal Retirement	1,000,000	678,000	676,000	2,000
Interest and Fiscal Charges	300,000	622,000	620,910	1,090
<i>Total Expenditures</i>	1,300,000	1,300,000	1,296,910	3,090
<i>Excess of Revenues Under Expenditures</i>	-321,000	-321,000	-292,290	28,710
Other Financing Sources				
Transfers In	288,588	288,588	339,783	51,195
<i>Net Change in Fund Balance</i>	-32,412	-32,412	47,493	79,905
<i>Fund Balance Beginning of Year</i>	456,726	456,726	456,726	0
<i>Fund Balance End of Year</i>	\$424,314	\$424,314	\$504,219	\$79,905

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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$0	\$77,500	\$77,760	\$260
Other	0	132,500	133,170	670
<i>Total Revenues</i>	0	210,000	210,930	930
Expenditures				
Capital Outlay:				
Contractual Services	5,359,979	5,359,979	2,552,803	2,807,176
Capital Outlay	23,790,914	23,790,914	21,322,429	2,468,485
Other	10,006	10,006	14	9,992
<i>Total Expenditures</i>	29,160,899	29,160,899	23,875,246	5,285,653
<i>Excess of Revenues Under Expenditures</i>	-29,160,899	-28,950,899	-23,664,316	5,286,583
Other Financing Sources				
Transfers In	3,000,000	2,500,000	2,500,000	0
<i>Net Change in Fund Balance</i>	-26,160,899	-26,450,899	-21,164,316	5,286,583
<i>Fund Balance Beginning of Year</i>	22,642,855	22,642,855	22,642,855	0
Prior Year Encumbrances Appropriated	7,160,899	7,160,899	7,160,899	0
<i>Fund Balance End of Year</i>	\$3,642,855	\$3,352,855	\$8,639,438	\$5,286,583

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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$310,000	\$322,000	\$330,885	\$8,885
Interest	20,000	8,000	9,026	1,026
<i>Total Revenues</i>	330,000	330,000	339,911	9,911
Expenditures				
Current:				
Public Services:				
Streets, Sidewalks, and Maintenance:				
Capital Outlay	434,718	434,718	255,850	178,868
<i>Net Change in Fund Balance</i>	-104,718	-104,718	84,061	188,779
<i>Fund Balance Beginning of Year</i>	113,825	113,825	113,825	0
Prior Year Encumbrances Appropriated	34,718	34,718	34,718	0
<i>Fund Balance End of Year</i>	<u>\$43,825</u>	<u>\$43,825</u>	<u>\$232,604</u>	<u>\$188,779</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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$310,111	\$, 202,855	\$, 90,280	(\$, 016,625)
Interest	50,111	30,111	80,900	30,900
<i>Total Revenues</i>	<u>850,111</u>	<u>302,855</u>	<u>306,580</u>	<u>-: 543,525</u>
Expenditures				
Current				
Public Services				
Meetings and maintenance				
Personal Services	6,600	6,600	1,000	5,600
Contractual Services	310,111	310,111	62,000	248,111
Capital Outlay	50,500	50,500	510,580	2,080
<i>Total Expenditures</i>	<u>367,211</u>	<u>677,211</u>	<u>564,080</u>	<u>103,131</u>
<i>Net Change in Fund Balance</i>	-, 820,888	-, 900,188	-, 257,500	642,688
<i>Fund Balance Beginning of Year</i>	1,200,560	1,200,560	1,200,560	0
Prior Year Encumbrances Appropriated	530,800	530,800	530,800	0
<i>Fund Balance End of Year</i>	<u>\$300,560</u>	<u>\$, 769,572</u>	<u>\$800,260</u>	<u>\$800,960</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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines, Licenses, and Permits	\$13,000	\$10,000	\$10,350	\$350
Expenditures				
Current:				
General Government:				
Legislative and Executive:				
Mayor:				
Personal Services	5,000	5,000	0	5,000
Materials and Supplies	5,000	5,000	0	5,000
Capital Outlay	35,000	35,000	997	34,003
<i>Total Expenditures</i>	45,000	45,000	997	44,003
<i>Net Change in Fund Balance</i>	-32,000	-35,000	9,353	44,353
<i>Fund Balance Beginning of Year</i>	39,634	39,634	39,634	0
<i>Fund Balance End of Year</i>	\$7,634	\$4,634	\$48,987	\$44,353

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, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines, Licenses, and Permits	\$500	\$5,000	\$20,639	\$15,639
Interest	50	50	140	90
<i>Total Revenues</i>	550	5,050	20,779	15,729
Expenditures				
Current:				
Public Safety:				
Law Department:				
Materials and Supplies	3,250	3,250	0	3,250
Capital Outlay	9,500	9,500	0	9,500
Other	1,750	1,750	0	1,750
<i>Total Expenditures</i>	14,500	14,500	0	14,500
<i>Net Change in Fund Balance</i>	-13,950	-9,450	20,779	30,229
<i>Fund Balance Beginning of Year</i>	14,779	14,779	14,779	0
<i>Fund Balance End of Year</i>	\$829	\$5,329	\$35,558	\$30,229

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$214,629	\$186,540	\$186,588	\$48
Intergovernmental	22,000	21,000	20,958	-42
<i>Total Revenues</i>	236,629	207,540	207,546	6
Expenditures				
Current:				
Public Safety:				
Police Department:				
Personal Services	319,588	319,588	296,849	22,739
<i>Net Change in Fund Balance</i>	-82,959	-112,048	-89,303	22,745
<i>Fund Balance Beginning of Year</i>	18,900	18,900	18,900	0
Prior Year Encumbrances Appropriated	99,588	99,588	99,588	0
<i>Fund Balance End of Year</i>	<u>\$35,529</u>	<u>\$6,440</u>	<u>\$29,185</u>	<u>\$22,745</u>

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$21,200	\$21,200	\$24,527	\$3,327
Expenditures				
Current:				
Public Safety:				
Police:				
Streets, Sidewalks, and Sewers:				
Contractual Services	21,400	21,400	16,217	5,183
<i>Net Change in Fund Balance</i>	-200	-200	8,310	8,510
<i>Fund Balance Beginning of Year</i>	70,446	70,446	70,446	0
<i>Fund Balance End of Year</i>	<u>\$70,246</u>	<u>\$70,246</u>	<u>\$78,756</u>	<u>\$8,510</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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
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, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Federal Emergency Management Agency Fund
For the Year Ended December 31, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$25,170	\$25,170	\$25,170	\$0
Expenditures				
Public Safety:				
Fire:				
Personal Services	25,170	25,170	25,170	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$50	\$50	\$34	(\$16)
Expenses				
Materials and Supplies	100	100	39	61
<i>Net Change in Fund Equity</i>	-50	-50	-5	45
<i>Fund Equity Beginning of Year</i>	1,124	1,124	1,124	0
<i>Fund Equity End of Year</i>	\$1,074	\$1,074	\$1,119	\$45

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

	2003	2002	2001
Program Revenues			
Charges for Services	\$1,608,263	\$1,530,717	\$1,530,325
Operating Grants and Contributions	408,346	330,391	335,413
Capital Grants and Assessments	505,530	2,179,686	69,119
General Revenues			
Taxes (1)	18,921,587	18,790,138	18,997,205
Grants and Entitlements not Restricted to Specific Programs	6,155,914	3,182,728	4,617,259
Investment Earnings	1,012,572	2,454,506	3,084,949
Gain on Sale of Capital Assets	2,500	7,206	20,469
Other	245,565	210,033	380,164
<i>Total</i>	<u><u>\$28,860,277</u></u>	<u><u>\$28,685,405</u></u>	<u><u>\$29,034,903</u></u>
Expenses			
General Government:			
Legislative and Executive	\$4,028,788	\$2,695,883	\$2,644,334
Public Safety:			
Police	6,009,450	5,875,828	5,627,976
Fire	4,531,561	4,078,613	4,465,052
Public Services	9,264,750	8,147,093	8,367,104
Health and Welfare	513,502	482,859	371,027
Culture and Recreation	1,010,747	1,295,346	1,724,729
Buliding and Community Development	1,031,733	986,127	925,213
Interest and Fiscal Charges	610,840	584,774	529,908
<i>Total</i>	<u><u>\$27,001,371</u></u>	<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)*

	2003	2002	2001	2000
Revenues				
Taxes (3)	\$19,265,862	\$18,904,234	\$19,244,458	\$19,070,271
Charges for Services	841,764	715,656	684,746	556,452
Fines, Licenses, and Permits	762,430	732,896	845,579	637,602
Intergovernmental	6,592,396	3,346,547	4,927,390	4,369,859
Special Assessments	997,060	463,543	500,461	1,085,235
Interest	1,012,572	2,454,536	3,084,949	3,052,504
Donations	0	0	0	0
Other	245,565	210,033	380,164	68,649
Total	<u>\$29,717,649</u>	<u>\$26,827,445</u>	<u>\$29,667,747</u>	<u>\$28,840,572</u>
Expenditures				
Current				
General Government	\$3,021,551	\$2,447,651	\$2,360,436	\$2,280,102
Public Safety: (4)	N/A	N/A	N/A	8,672,783
Police	6,059,303	5,761,739	5,390,781	N/A
Fire	4,267,579	3,788,238	3,834,322	N/A
Public Services	6,385,038	6,146,724	5,931,831	6,333,048
Health and Welfare	508,654	461,467	412,988	338,744
Transportation (5)	0	0	0	0
Culture and Recreation	1,603,876	1,386,484	1,277,910	1,175,955
Building and Community Development	1,037,271	939,157	903,246	909,417
Basic Utility Services (5)	0	0	0	0
Capital Outlay	12,499,069	5,371,032	5,533,568	9,746,101
Debt Service				
Principal Retirement	676,000	446,000	2,461,000	2,431,000
Interest and Fiscal Charges	620,910	574,025	542,799	531,908
Total	<u>\$36,679,251</u>	<u>\$27,322,517</u>	<u>\$28,648,881</u>	<u>\$32,419,058</u>

Source: City financial records

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

(2) 1997 - 2003 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.

1999	1998	1997	1996	1995	1994
\$17,310,149	\$16,537,836	\$16,601,521	\$16,327,242	\$15,273,531	\$14,679,323
599,805	889,564	687,330	450	100	0
635,959	873,213	929,560	961,008	515,659	529,905
3,073,641	2,885,619	4,476,126	2,059,463	5,950,815	2,995,592
974,751	963,511	1,041,403	1,592	1,674	30,211
1,895,120	2,656,226	2,237,905	0	0	0
0	19,890	0	0	0	0
195,892	554,545	151,668	2,760,826	1,250,291	1,054,873
<u>\$24,685,317</u>	<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>
\$2,254,477	\$2,141,822	\$1,750,146	\$3,617,008	\$2,491,905	\$3,366,748
8,464,810	8,004,484	6,706,503	7,201,156	5,960,641	5,989,600
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
5,596,884	5,206,040	4,915,061	26,831	29,670	24,257
297,133	74,602	0	0	0	0
0	0	0	4,794,293	3,292,418	4,192,994
1,135,689	1,214,131	1,265,314	138,380	191,691	197,340
862,872	795,265	791,317	781,420	545,671	746,947
0	0	0	1,074,084	768,375	1,430,785
7,299,746	5,280,119	2,553,922	0	329,319	440,442
430,000	1,035,000	1,015,000	1,005,000	2,000,000	2,000,000
498,298	533,940	576,127	514,346	844,108	674,774
<u>\$26,839,909</u>	<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>

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 Current Tax Levy
2003	\$2,579,325	\$127,366	\$2,706,691	\$2,446,238	94.84%
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

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 Current Tax Levy</u>	<u>Outstanding Delinquent Taxes (2)</u>	<u>Percent of Delinquent Taxes to Total Tax Levy</u>
\$69,831	\$2,516,069	97.55%	\$197,171	7.28%
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

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

Year	Current Levy	Delinquent Levy	Total Levy	Current Collection	Percent of Current Collections To Tax Levy	Delinquent Collection
2003	\$237,269	\$17,470	\$254,739	\$233,118	98.25%	(\$231)
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

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>
\$232,887	98.15%	\$12,417	5.23%
298,493	102.51	25,686	8.82
339,777	109.05	26,787	8.60
273,182	92.48	65,482	22.17
286,315	104.76	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

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)
2003	\$682,273,640	\$1,949,353,342	\$13,265,590	\$15,074,534
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

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 eighty-eight percent of actual value.
 Tangible personal is assessed at twenty-five percent of actual value for capital assets
 and twenty-three percent for inventory.

Tangible Personal Property		Total		Ratio
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	
\$59,598,455	\$259,123,717	\$755,137,685	\$2,223,551,593	33.96%
72,572,661	315,533,309	716,923,271	2,135,285,511	33.58
77,768,001	311,072,004	713,817,941	2,100,179,977	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

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
2003	\$1,044,856	\$1,002,790	95.97%	\$33,282
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

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.

Percentage of Delinquent Assessments Collected to Current Levy	Total Assessments Collected	Percentage of Total Collections to Current Levy	Accumulative Delinquency (2)
3.19%	\$1,036,072	99.16%	\$56,529
5.09	881,345	100.42	58,203
0.58	966,291	101.16	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

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			
2003	\$3.70	\$0.30	\$4.00	\$19.40	\$77.50	\$100.90
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

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
Last Two Years*

Year	Population (1)	Assessed (2) Value	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
2003	12,186	\$755,137,685	\$3,210,781	0.43%	\$263.48
2002	12,186	716,923,271	3,393,274	0.47	278.46

Source:

(1) Federal 2000 Census

(2) Cuyahoga County Auditor

Prior to 2002 the City had no general obligation bonded debt.

City of Beachwood, Ohio
*Ratio of Annual Debt Service Expenditures for
 General Bonded Debt to Total General Fund Expenditures
 Last Two Years*

Year	Principal	Interest and Fiscal Charges	Total Debt Service	General Fund Expenditures	Ratio
2003	\$135,000	\$153,588	\$288,588	\$22,256,684	1.30%
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, 2003

Assessed Valuation		<u><u>\$755,137,685</u></u>
Overall Debt Limitation		
10.5% of Assessed Valuation		\$79,289,457
Gross Indebtedness		
General Obligation Bonds	3,715,000	
Special Assessment Bonds	<u>7,668,000</u>	
<i>Total</i>	11,383,000	
Exemptions:		
Special Assessment Bonds	<u>7,668,000</u>	
Debt Within 10.5% Limitation	3,715,000	
Less: Amount Available in Debt Service Fund	<u>504,219</u>	
Net Debt Within 10.5% Limitation		<u>3,210,781</u>
Overall Debt Margin Within 10.5% Limitation		<u><u>\$76,078,676</u></u>
Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$41,532,573
Gross indebtedness authorized by Council	11,383,000	
Less: Debt Outside Limitation:		
Special Assessments	<u>7,668,000</u>	
Debt Within 5.5% Limitation	3,715,000	
Less: Amount Available in Debt Service Fund	<u>504,219</u>	
Net Debt Within 5.5% Limitation		<u>3,210,781</u>
Unvoted Debt Margin Within 5.5% Limitation		<u><u>\$38,321,792</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, 2003

	<u>General Obligation Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Amount Applicable to City of Beachwood</u>
Direct			
City of Beachwood, Ohio	<u>\$3,715,000</u>	100.00%	<u>\$3,715,000</u>
Overlapping			
Cuyahoga County	183,239,636	2.49%	4,562,667
Beachwood City Schools	22,144,982	98.63%	21,841,595
Regional Transit Authority	<u>130,795,000</u>	2.49%	<u>3,256,796</u>
<i>Total Overlapping</i>	<u>336,179,618</u>		<u>29,661,058</u>
<i>Totals</i>	<u><u>\$339,894,618</u></u>		<u><u>\$33,376,058</u></u>

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)
2003	\$682,273,640	245	\$53,522,150	\$95,761,917
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

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, 2003

Taxpayer	Assessed Value	Percent of Assessed Value
Beachwood Place, Limited	\$52,721,240	7.11%
Bracebridge Corporation	25,863,880	3.49
Cleveland Clinic	12,394,310	1.67
Doublewood Corporation	10,770,100	1.45
Hamptons Apartments	10,500,010	1.42
Village Green of Beachwood	10,391,080	1.40
Dillard's	7,272,760	0.98
Embassy Equity Development	6,475,630	0.87
Signature Square	6,119,760	0.82
HCRI Beachwood Inc.	5,985,000	0.81
<i>Totals</i>	<u>\$148,493,770</u>	<u>20.02%</u>
Real Property Assessed Valuation	\$682,273,640	
Tangible Personal Property Assessed Valuation	<u>59,598,455</u>	
Assessed Valuation	<u><u>\$741,872,095</u></u>	

Source: Cuyahoga County, Ohio; County Auditor

City of Beachwood, Ohio
Principal Taxpayers - Public Utility Property
December 31, 2003

Taxpayer	Assessed Value	Percent of Assessed Value
Cleveland Electric Illuminating Company	\$5,278,840	39.79%
Ohio Bell Telephone Company	3,913,460	29.50
American Transmission System	664,020	5.01
New Par	580,790	4.38
AT&T Wireless PCS	509,320	3.84
<i>Totals</i>	<u>\$10,946,430</u>	<u>82.52%</u>
Assessed Valuation	<u>\$13,265,590</u>	

Source: Cuyahoga County, Ohio; County Auditor

City of Beachwood, Ohio

Demographic Statistics

Last Ten Years

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Cuyahoga County Unemployment Rate</u>
2003	12,186	1,557	6.2%
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

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

City of Beachwood, Ohio

Miscellaneous Statistics

December 31, 2003

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	39
Part-Time	6
Number of Paramedics	37
Police Department:	
Number of Stations	1
Number of Uniformed Employees:	
Chief	1
Full-Time	43
Part-Time	0
Number of Full-Time Dispatchers	11
Buildings:	
Permits Issued	245
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

Facsimile 614-466-4490

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
JULY 8, 2004**