

Mary Taylor, CPA
Auditor of State

**CITY OF BEACHWOOD
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Beachwood
Cuyahoga County
25325 Fairmount Boulevard
Beachwood, Ohio 44122

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Beachwood, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the City's management in a separate letter dated June 22, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and City Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 22, 2007

CITY OF BEACHWOOD

Beachwood, Ohio

**Comprehensive
Annual Financial Report**
For the Fiscal Year Ended December 31, 2006

City of Beachwood, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006
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CITY OF *Beachwood*

25325 FAIRMOUNT BLVD • BEACHWOOD • OHIO 44122

MAYOR
MERLE S. GORDEN

June 22, 2007

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

It is our privilege to present to you the City of Beachwood's (the City) 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, 2006, 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 enables the City to comply with Ohio Administrative Code Section 117-2-03 (B), which requires reporting on a GAAP (Generally Accepted Accounting Principles) basis, and Ohio Revised Code Section 117.38 which requires the cities reporting on a GAAP basis to file an annual report with the Auditor of State within 150 days of fiscal year end.

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.

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.

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 2006. This report is presented in the Financial Section.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management's Discussion and Analysis complements this letter of transmittal and should be read in conjunction with it.

FINANCE DEPARTMENT
DAVID A. PFAFF, CPA, FINANCE DIRECTOR
PHONE (216) 292-1913 • FAX (216) 595-5463

Profile of the Government

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 serves a population of 12,186. 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.

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.

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.

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.

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.

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.

Annual appropriations for the current year are determined by Council action on or before January 15.

Local Economy

City Council and the Administration are committed to protecting the level of services afforded all of the commercial and residential citizenry of the City 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 an 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 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 and has a tax rate of 1.5 percent or less. Initially implemented as a temporary measure for 1997-1998, the credit was extended indefinitely in the year 2000. This credit allows residents working in locations outside Beachwood to receive 100 percent credit for all income taxes paid to other taxing districts. This credit, in addition to the low property tax rates levied by the City, has continued to make Beachwood an attractive alternative to new homebuyers and proved to be a factor in the overall stability of the City's residential population. Over the last ten years income tax collections have increased 52 percent.

The area of Beachwood known as Chagrin Highlands is the largest area of future commercial development in the City. Commercial development in this area promises to deliver a blend of custom designed corporate headquarters, multi-tenant buildings, hotels, restaurants and business service enterprises that will add to the tax base of the City. Of this 630-acre site, 408.25 acres are located in the City, the remaining acres are located in the following entities: 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 Penske Truck Leasing, UBS Financial Services, Shaker Investments, and SimplexGrinnell as the major employers.

In 2006 University Hospitals announced that they will be developing a 53-acre site in the Chagrin Highlands. This development will be a state of the art campus featuring a 200 bed hospital, an ambulatory surgery center, physician offices, and community outreach and education capabilities. Construction of this facility is expected to begin in 2007 and be completed by 2010.

Bank of America is presently the City's largest employer. Bank of America is the nation's largest credit and debit card provider, the largest provider of checking and saving services and the leading home equity lender. During 2007 it was announced that the Cleveland Clinic Foundation was purchasing the campus of five buildings owned by Bank of America. Currently Bank of America will occupy two of these buildings and remain the City's largest employer. Initially the Cleveland Clinic plans to bring 700 jobs to the City. The long range projection has the Cleveland Clinic occupying the entire campus.

In an effort to maintain this strong commercial base the City has a contractual agreement with the Beachwood Chamber of Commerce to provide economic 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.

In addition to attracting new business, the Beachwood Chamber of Commerce operates the Beachwood Business Development Center. The Center, which is a partnership between the Beachwood Chamber of Commerce, the City of Beachwood, and Cleveland State University, is an integral part of the City's economic development program. The Center's mission is to attract new businesses to the City and provide a comprehensive plan to help grow and nurture those businesses. Recognizing that the first year of operation is critical to small and medium-sized businesses, the Center offers support to both foreign and domestic start-up firms as well as more mature companies looking to enter the Beachwood market. The Center offers support services and resources that help accelerate the growth and success of entrepreneurial and co-located companies. Its goal is to produce successful firms that will leave the Center financially viable and freestanding. As a result, successful companies will emerge. This will create jobs, commercialize new technologies and enhance the stability of the City.

In an effort to provide the highest level of services to its residential and business community the City has spent over \$76,000,000 over the past ten years on City streets, facilities and recreational areas. Most of these improvements were financed with existing funds; only \$13,655,000 in general obligation debt was issued to finance these improvements.

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.

Long-term financial planning and relevant financial policies

Cooperative efforts by the Mayor and Council led to a variety of major initiatives being implemented, continued, or completed in 2006. 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 its residential and commercial residents.

A measure of the City's commitment to future growth was the City Master Plan, a joint effort of Council and the Administration designed to appropriately provide facility expansion. Since 2001 residents have benefited from construction of a new Fire Station, new recreational facilities, which include Tennis Courts, the Beachwood Family Aquatic Center, a Park with walking/jogging trails, a sledding hill, and a picnic pavilion, and the expansion and remodeling of the existing Municipal Service Center and Community Center. As stated above, the construction of these projects was completed with a minimal amount of debt being issued by the City.

With these projects completed there are currently no major construction projects planned with the exception of road improvement projects done on an annual basis. These projects are generally funded out of the Capital Improvement Fund. The Capital Improvement Fund is funded by excess reserves accumulated in the General Fund that are transferred to the Capital Improvement Fund on a periodic basis.

As an informal policy, the City attempts to maintain a General Fund balance of approximately 50 percent of General Fund revenues.

Major initiatives

With the completion of the City's Master Plan there are currently no immediate major initiatives planned. However, long-term the City will be looking at potential uses for three sites owned north of Chagrin Boulevard. Two of these sites contain existing buildings and one is a vacant parcel of land. These sites were all purchased in anticipation of the City's future needs to adequately service the area of Chagrin Highlands. With the proposed development in Chagrin Highlands by the University Hospital Systems the use of these sites will become a priority for the City.

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, 2005. This was the eighth 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, 2005. 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 fifth consecutive 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. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

GFOA Distinguished Budget Presentation Award

The Government Finance Officer Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to City of Beachwood, Ohio for its annual budget for the year beginning January 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. This was the third year the City achieved the award.

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.

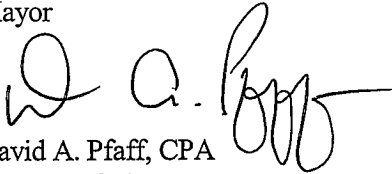
In addition, we would like to thank Beachwood City Council, without whose positive leadership and encouragement, the preparation of this report would not have been possible.

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, 2006

ELECTED OFFICIALS

Mayor-Safety Director Merle S. Gorden
President of Council Melvin M. Jacobs

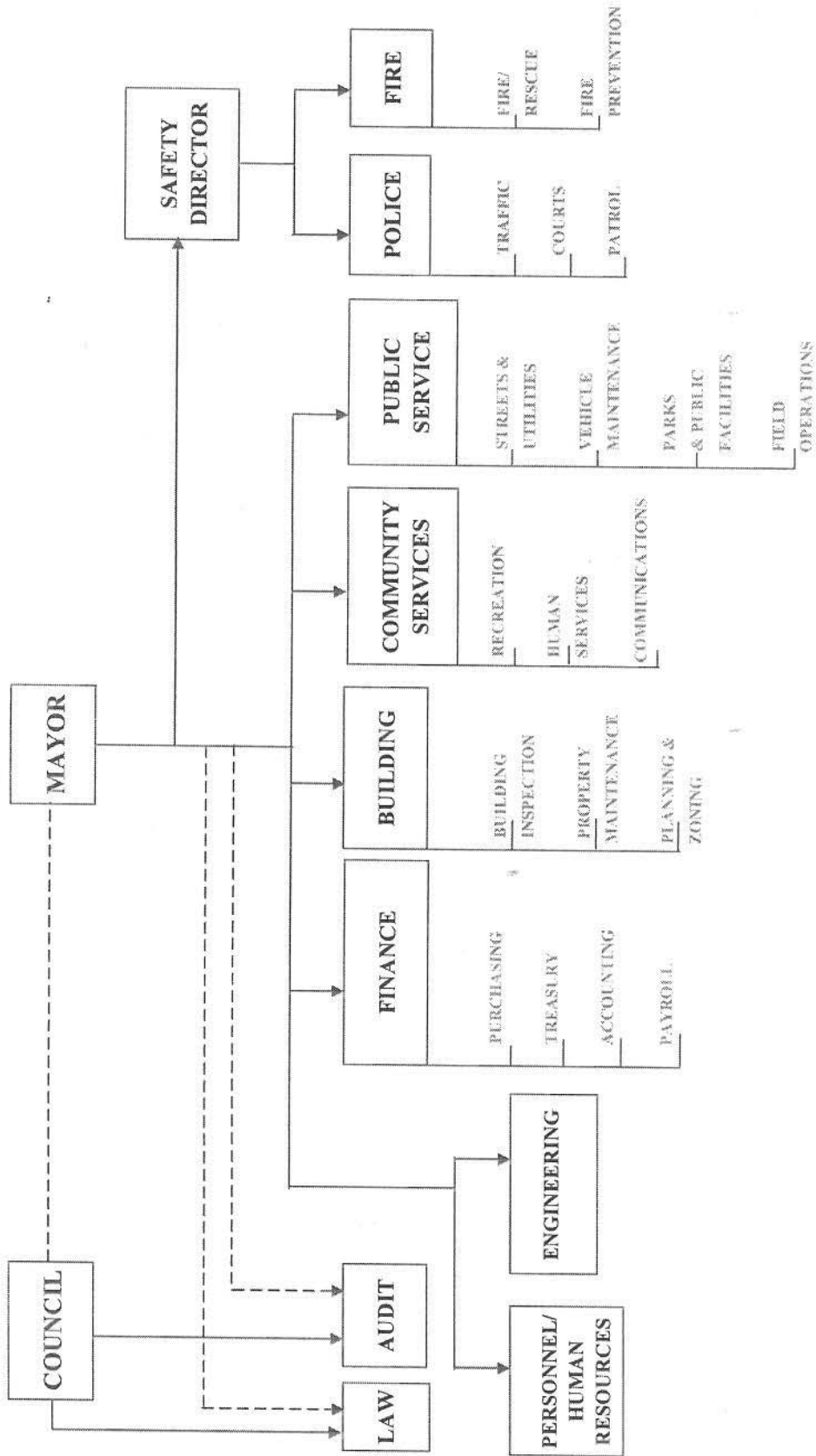
Council Member Martin D. Arsham
Council Member Saul Eisen
Council Member Fredric S. Goodman
Council Member Kenneth W. Kleinman
Council Member Mark Mintz
Council Member Mark I. Wachter

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 Auditor Harvey S. Rose
Staff Engineer Thomas S. Kreczko
Clerk of Council Karen M. Navolanic

CITY OF BEACHWOOD

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Beachwood
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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.



A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Beachwood
Cuyahoga County
25325 Fairmount Boulevard
Beachwood, Ohio 44122

To the Members of the 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, 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 22, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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 provide additional information and are not a required part of the basic financial statements. We subjected the combining nonmajor financial statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Mary Taylor, CPA
Auditor of State

June 22, 2007

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The discussion and analysis of the City of Beachwood's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. 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 2006 are as follows:

- The City's total net assets increased by \$1,269,391 or 1.2 percent as a result of this year's operations. This is largely due to an increase in income tax receipts.
- Total revenues increased \$3,887,967 or 13.8 percent over 2005 revenues. The majority of the increase is due to an increase in income tax revenue.
- For 2006, the City expended \$6,188,929 out of the capital projects fund for various capital improvements. Significant expenditures included the reconstruction of infrastructure and the renovation to the Community Center.

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, 2006
Unaudited

From the Statement of Net Assets, you can determine the City's current financial position 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 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 financial health of the City.

Reporting on the Most Significant Funds of the City of Beachwood

Fund Financial Statements

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

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

The City of Beachwood as a Whole

Statement of Net Assets

As noted earlier, the Statement of Net Assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net assets for 2006 and 2005.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 1
Net Assets

	Governmental Activities		
	2006	2005	Change
Assets			
Total Current and Other Assets	\$50,864,560	\$54,018,715	(\$3,154,155)
Nondepreciable Capital Assets, Net	10,169,286	10,640,171	(470,885)
Depreciable Capital Assets, Net	71,880,764	68,811,097	3,069,667
<i>Total Assets</i>	<u>132,914,610</u>	<u>133,469,983</u>	<u>(555,373)</u>
Liabilities			
Total Current & Other Liabilities	4,865,409	5,708,821	(\$843,412)
Long-Term Liabilities:			
Due Within One Year	1,880,690	1,897,040	(16,350)
Due Within More Than One Year	18,451,123	19,416,125	(965,002)
Total Liabilities	<u>25,197,222</u>	<u>27,021,986</u>	<u>(1,824,764)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	63,860,050	60,100,268	3,759,782
Restricted for:			
Debt Service	7,559,939	8,515,933	(955,994)
Streets	968,114	1,055,083	(86,969)
Other Purposes	314,704	297,094	17,610
Unrestricted	<u>35,014,581</u>	<u>36,479,619</u>	<u>(1,465,038)</u>
Total Net Assets	<u>\$107,717,388</u>	<u>\$106,447,997</u>	<u>\$1,269,391</u>

The largest portion of the City's net assets (59.3 percent) reflects investments in capital assets (e.g. land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

Total assets decreased by \$555,373 while the City's total liabilities decreased by \$1,824,764. The most significant change in assets was a decrease in Cash and Cash Equivalents which decreased \$3,200,212. This is largely due to the City using its accumulated resources to finance capital improvements.

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 2006, unrestricted net assets decreased by \$1,465,038 reflecting their use in acquiring capital assets.

City of Beachwood, Ohio
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The City's financial position improved from 2005 to 2006 as indicated by the increase in total net assets for governmental activities of \$1,269,391.

Table 2 shows the changes in net assets for fiscal year 2006 and 2005 and corresponds to the Statement of Activities.

Table 2
Change in Net Assets

	Governmental Activities		
	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services	\$2,523,651	\$2,340,904	\$182,747
Operating Grants and Contributions	515,601	488,834	26,767
Capital Grants and Assessments	14,950	572,750	(557,800)
General Revenues			
Property Taxes	3,892,652	3,754,702	137,950
Municipal Income Tax	19,722,442	16,810,393	2,912,049
Grants and Entitlements	3,378,904	3,029,826	349,078
Investment Earnings	1,767,181	1,016,236	750,945
Other	239,406	153,175	86,231
Total Revenues	32,054,787	28,166,820	3,887,967
Program Expenses			
General Government	4,459,785	3,748,490	711,295
Public Safety:			
Police	6,955,837	6,833,161	122,676
Fire	4,993,303	4,893,094	100,209
Public Services	9,862,993	9,522,260	340,733
Health and Welfare	558,952	548,302	10,650
Culture and Recreation	2,193,222	2,182,972	10,250
Building and Community Development	878,959	1,018,644	(139,685)
Interest and Fiscal Charges	882,345	930,269	(47,924)
Total Expenses	30,785,396	29,677,192	1,108,204
Increase (Decrease) in Net Assets	1,269,391	(1,510,372)	2,779,763
Net Assets Beginning of Year	106,447,997	107,958,369	(1,510,372)
Net Assets End of Year	\$107,717,388	\$106,447,997	\$1,269,391

Table 2 indicates revenues increased by \$3,887,967 or 13.8 percent. This is largely due to an increase in municipal income taxes and investment earnings from 2005 to 2006. The increase in income taxes is due to several factors including a new building which was occupied in 2006, company bonuses and two companies that moved to Beachwood.

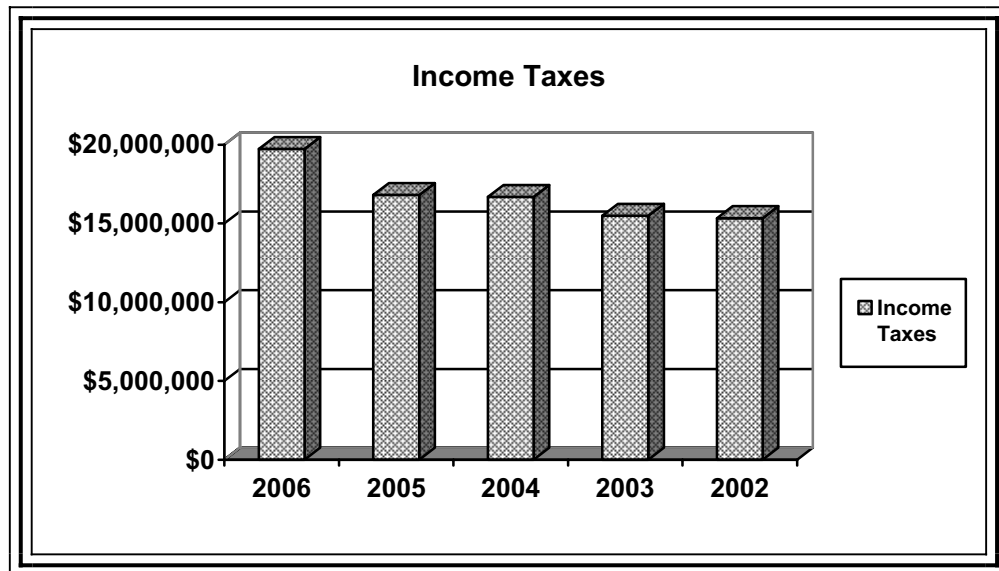
City of Beachwood, Ohio
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Total program expenses increased by \$1,108,204 or approximately 3.7 percent. This increase is largely due to an increase in salaries and benefits.

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 \$19,722,442 in income tax collections or 61.5 percent of total 2006 revenue. Other significant sources of revenue include property taxes and unrestricted grants and entitlements of which the City received \$3,892,652 and \$3,378,904 respectively in 2006. 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. The chart below identifies income tax receipts for the last five years.



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

Table 3
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$4,459,785	(\$4,424,066)	\$3,748,490	(\$3,732,728)
Public Safety				
Police	6,955,837	(6,620,316)	6,833,161	(6,624,737)
Fire	4,993,303	(4,365,144)	4,893,094	(4,249,212)
Public Services	9,862,993	(9,347,392)	9,522,260	(8,460,676)
Health and Welfare	558,952	(558,952)	548,302	(548,302)
Culture and Recreation	2,193,222	(1,264,329)	2,182,972	(1,273,481)
Building and				
Community Development	878,959	(268,650)	1,018,644	(455,299)
Interest and Fiscal Charges	882,345	(882,345)	930,269	(930,269)
Total	<u>\$30,785,396</u>	<u>(\$27,731,194)</u>	<u>\$29,677,192</u>	<u>(\$26,274,704)</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 total cost of services and the net cost of services both increased in 2006.

Public safety expenses totaled \$11,949,140 or 38.8 percent of total 2006 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. As of December 31, 2006, the City employed 42 full time police officers and 39 full time firefighters. Other significant expenses include public service expenses which totaled \$9,862,993 or 32.0 percent of total expenses. The majority of public services expenses include salaries, benefits and infrastructure 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 \$31,054,385 and \$25,156,739 respectively. The \$5,897,646 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 \$22,567,580 represents approximately 89.7 percent of 2006 general fund expenditures.

City of Beachwood, Ohio
Management's Discussion and Analysis
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Total revenue and expenditures for the bond retirement fund are \$966,449 and \$2,057,162 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. In 2006, \$1,051,258 was transferred into the bond retirement fund. Expenditures are for payment of debt principal, interest and debt related costs.

The capital improvements fund is used to account for the flow of resources related to the construction, acquisition, and renovation of capital assets. This fund is funded with excess revenue from the general fund. The City strives to maintain a general fund balance which is 50% of general fund revenues. Any excess is transferred to the capital improvements fund. For 2006, the City expended \$6,188,929 on capital improvement projects from this fund and no money was transferred resulting in a decrease in the fund balance.

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 the Finance Director to transfer funds within control levels with the approval of the Mayor. During the course of 2006, 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 \$25,400,358; final budget amounts were \$27,158,600; and actual revenue collections were \$30,003,171. The majority of the increase in actual revenue over the final budgeted amount is due to income taxes. Income taxes were significantly higher than anticipated. Final budgeted appropriations were \$29,323,334 and actual expenditures were \$26,907,223. Appropriations are always conservatively budgeted on the high side. Additionally, health care and workers compensation expenditures were not as high as originally budgeted for which accounts for the difference between budgeted appropriations and actual expenditures. The City's ending unencumbered cash balance in the general fund was \$5,260,682 above the final budgeted amount.

Debt Administration and Capital Assets

Debt

Table 4 summarizes outstanding debt at December 31, 2006 compared to December 31, 2005.

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 15 to the basic financial statements for more information regarding the City's outstanding debt.

City of Beachwood, Ohio
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Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2006	2005
General Obligation Bonds	\$12,528,380	\$13,058,012
Special Assessment Bonds	5,835,000	6,476,000
<i>Totals</i>	\$18,363,380	\$19,534,012

Capital Assets

Table 5 compares capital assets as of December 31, 2006 to balances at December 31, 2005.

Table 5
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities	
	2006	2005
Land	\$9,880,236	\$9,880,236
Construction in Progress	289,050	759,935
Land Improvements	5,962,137	6,124,340
Buildings and Improvements	30,974,169	27,639,384
Furniture and Equipment	1,493,474	1,255,986
Vehicles	837,276	883,602
Infrastructure		
Streets	27,023,267	27,165,714
Water Lines	2,551,316	2,630,713
Sanitary Sewers	1,722,272	1,762,820
Storm Sewers	1,316,853	1,348,538
<i>Totals</i>	\$82,050,050	\$79,451,268

Total capital assets (net of accumulated depreciation) as of December 31, 2006 were \$82,050,050, which is an increase of \$2,598,782 over 2005 capital assets. This increase is due to the completion of the community center renovation which was offset by the annual depreciation as well as the disposal of equipment and vehicles.

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

Current Financial Related Activities

- The 2006 increase in income taxes was due to several factors including a new building which was occupied in 2006, company bonuses and two companies that moved to Beachwood.
- Estate taxes can fluctuate greatly from year to year and are always conservatively budgeted.
- With the completion of the community center renovation, capital improvement projects will focus mainly on road improvement projects.
- The development of the Chagrin Highlands area by University Hospitals is expected to start in 2007.
- The City is committed to protecting the level of services provided to all citizens.

All of these factors were considered in preparing the City's budget for 2007.

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. Since 2001, the City has completed construction of a new fire station, eight new tennis courts, the Beachwood Family Aquatic Center, restoration of the Beachwood City Park, and renovation/expansion to city hall and the community center. Additionally, the City has been proactive in the maintenance and upkeep of its infrastructure. For 2007, \$2,500,000 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, 25325 Fairmount Boulevard, Beachwood, Ohio 44122, 216-292-1913, or email at david.pfaff@beachwoodohio.com.

City of Beachwood, Ohio

Statement of Net Assets

December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$33,112,079
Cash and Cash Equivalents in Segregated Accounts	30
Materials and Supplies Inventory	408,204
Accounts Receivable	80,661
Intergovernmental Receivable	1,115,034
Prepaid Items	240,014
Property Taxes Receivable	3,258,313
Income Taxes Receivable	4,871,752
Other Local Taxes Receivable	55,157
Special Assessments Receivable	7,694,779
Accrued Interest Receivable	28,537
Nondepreciable Capital Assets	10,169,286
Depreciable Capital Assets, Net	<u>71,880,764</u>
<i>Total Assets</i>	<u>132,914,610</u>
Liabilities	
Accounts Payable	286,105
Retainage Payable	351,342
Accrued Wages and Benefits	248,835
Intergovernmental Payable	808,579
Deferred Revenue	2,771,202
Accrued Interest Payable	70,205
Contracts Payable	329,141
Long-Term Liabilities:	
Due Within One Year	1,880,690
Due In More Than One Year	<u>18,451,123</u>
<i>Total Liabilities</i>	<u>25,197,222</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	63,860,050
Restricted for:	
Debt Service	7,559,939
Streets	968,114
Other Purposes	314,704
Unrestricted	<u>35,014,581</u>
<i>Total Net Assets</i>	<u><u>\$107,717,388</u></u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Activities
For the Year Ended December 31, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Assessments	Governmental Activities
Governmental Activities					
General Government	\$4,459,785	\$35,719	\$0	\$0	(\$4,424,066)
Public Safety:					
Police	6,955,837	335,521	0	0	(6,620,316)
Fire	4,993,303	628,159	0	0	(4,365,144)
Public Services	9,862,993	0	515,601	0	(9,347,392)
Health and Welfare	558,952	0	0	0	(558,952)
Culture and Recreation	2,193,222	913,943	0	14,950	(1,264,329)
Building and					
Community Development	878,959	610,309	0	0	(268,650)
Interest and Fiscal Charges	882,345	0	0	0	(882,345)
<i>Total Governmental Activities</i>	<u>\$30,785,396</u>	<u>\$2,523,651</u>	<u>\$515,601</u>	<u>\$14,950</u>	<u>(27,731,194)</u>
		General Revenues			
		Property Taxes Levied for			
		General Purposes			3,682,048
		Police Pension			210,604
		Municipal Income Taxes Levied for			
		General Purposes			19,722,442
		Grants and Entitlements not Restricted to Specific Programs			3,378,904
		Investment Earnings			1,767,181
		Other			239,406
		<i>Total General Revenues</i>			<u>29,000,585</u>
		Change in Net Assets			1,269,391
		<i>Net Assets Beginning of Year</i>			<u>106,447,997</u>
		<i>Net Assets End of Year</i>			<u>\$107,717,388</u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio

Balance Sheet

Governmental Funds

December 31, 2006

	General	Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$18,421,263	\$473,828	\$13,107,640	\$1,109,348	\$33,112,079
Cash and Cash Equivalents In Segregated Accounts	30	0	0	0	30
Property Taxes Receivable	3,013,939	0	0	244,374	3,258,313
Income Taxes Receivable	4,871,752	0	0	0	4,871,752
Other Local Taxes Receivable	55,157	0	0	0	55,157
Accounts Receivable	80,661	0	0	0	80,661
Intergovernmental Receivable	908,600	0	0	206,434	1,115,034
Accrued Interest Receivable	28,537	0	0	0	28,537
Materials and Supplies Inventory	408,204	0	0	0	408,204
Prepaid Items	240,014	0	0	0	240,014
Special Assessments Receivable	0	7,329,696	365,083	0	7,694,779
<i>Total Assets</i>	<u>\$28,028,157</u>	<u>\$7,803,524</u>	<u>\$13,472,723</u>	<u>\$1,560,156</u>	<u>\$50,864,560</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$275,942	\$0	\$10,163	\$0	\$286,105
Retainage Payable	0	0	351,342	0	351,342
Accrued Wages and Benefits	248,835	0	0	0	248,835
Intergovernmental Payable	741,358	0	0	67,221	808,579
Contracts Payable	0	0	329,141	0	329,141
Deferred Revenue	4,194,442	7,329,696	365,083	376,635	12,265,856
<i>Total Liabilities</i>	<u>5,460,577</u>	<u>7,329,696</u>	<u>1,055,729</u>	<u>443,856</u>	<u>14,289,858</u>
Fund Balances					
Reserved for Encumbrances	849,576	0	1,622,386	132,752	2,604,714
Unreserved					
Undesignated, Reported in:					
General Fund	21,718,004	0	0	0	21,718,004
Special Revenue Funds	0	0	0	983,548	983,548
Debt Service Fund	0	473,828	0	0	473,828
Capital Projects Fund	0	0	10,794,608	0	10,794,608
<i>Total Fund Balances</i>	<u>22,567,580</u>	<u>473,828</u>	<u>12,416,994</u>	<u>1,116,300</u>	<u>36,574,702</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$28,028,157</u>	<u>\$7,803,524</u>	<u>\$13,472,723</u>	<u>\$1,560,156</u>	<u>\$50,864,560</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, 2006*

Total Governmental Fund Balances		\$36,574,702
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		82,050,050
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	477,493	
Intergovernmental	489,578	
Special Assessments	7,694,779	
Municipal Income Taxes	832,804	
Total		9,494,654
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due.		(70,205)
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.		
Special Assessment Bonds	(5,835,000)	
General Obligation Bonds	(12,528,380)	
Compensated Absences	(1,968,433)	
Total		(20,331,813)
<i>Net Assets of Governmental Activities</i>		\$107,717,388

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Taxes	\$3,540,175	\$0	\$0	\$200,782	\$3,740,957
Municipal Income Taxes	19,773,905	0	0	0	19,773,905
Charges for Services	1,605,704	0	0	0	1,605,704
Fines, Licenses, and Permits	808,178	0	0	77,091	885,269
Intergovernmental	3,392,731	0	0	512,209	3,904,940
Special Assessments	0	930,356	21,657	32,678	984,691
Interest	1,694,286	36,093	0	36,802	1,767,181
Other	239,406	0	0	0	239,406
<i>Total Revenues</i>	<u>31,054,385</u>	<u>966,449</u>	<u>21,657</u>	<u>859,562</u>	<u>32,902,053</u>
Expenditures					
Current:					
General Government	3,969,191	0	0	47,157	4,016,348
Public Safety:					
Police	6,620,162	0	0	244,050	6,864,212
Fire	4,762,553	0	0	0	4,762,553
Public Services	6,483,649	0	0	660,728	7,144,377
Health and Welfare	584,270	0	0	0	584,270
Culture and Recreation	1,871,385	0	0	0	1,871,385
Building and Community Development	865,529	0	0	0	865,529
Capital Outlay	0	0	6,188,929	0	6,188,929
Debt Service:					
Principal Retirement	0	1,161,000	0	0	1,161,000
Interest and Fiscal Charges	0	896,162	0	0	896,162
<i>Total Expenditures</i>	<u>25,156,739</u>	<u>2,057,162</u>	<u>6,188,929</u>	<u>951,935</u>	<u>34,354,765</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,897,646</u>	<u>(1,090,713)</u>	<u>(6,167,272)</u>	<u>(92,373)</u>	<u>(1,452,712)</u>
Other Financing Sources (Uses)					
Transfers In	0	1,051,258	0	0	1,051,258
Transfers Out	(1,051,258)	0	0	0	(1,051,258)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,051,258)</u>	<u>1,051,258</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	4,846,388	(39,455)	(6,167,272)	(92,373)	(1,452,712)
<i>Fund Balances Beginning of Year</i>	<u>17,721,192</u>	<u>513,283</u>	<u>18,584,266</u>	<u>1,208,673</u>	<u>38,027,414</u>
<i>Fund Balances End of Year</i>	<u>\$22,567,580</u>	<u>\$473,828</u>	<u>\$12,416,994</u>	<u>\$1,116,300</u>	<u>\$36,574,702</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, 2006*

Net Change in Fund Balances - Total Governmental Funds (\$1,452,712)

*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		
Capital Outlays	6,618,738	
Capital Contributions	14,950	
Current Year Depreciation	<u>(3,976,716)</u>	
Total		2,656,972

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. (58,190)

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

Property Taxes	151,695	
Intergovernmental	(10,435)	
Special Assessments	(952,013)	
Municipal Income Taxes	<u>(51,463)</u>	
Total		(862,216)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,161,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	4,185	
Amortization of Premium	<u>9,632</u>	
Total		13,817

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (189,280)

Change in Net Assets of Governmental Activities \$1,269,391

See accompanying notes to the basic financial statements

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$3,594,053	\$3,321,054	\$3,579,038	\$257,984
Municipal Income Taxes	15,592,661	17,602,002	19,007,652	1,405,650
Charges for Services	1,465,742	1,487,642	1,627,668	140,026
Fines, Licenses, and Permits	753,732	753,732	808,188	54,456
Intergovernmental	2,758,858	2,758,858	3,369,317	610,459
Interest	1,104,227	1,104,227	1,371,902	267,675
Other	131,085	131,085	239,406	108,321
<i>Total Revenues</i>	<u>25,400,358</u>	<u>27,158,600</u>	<u>30,003,171</u>	<u>2,844,571</u>
Expenditures				
Current:				
General Government	4,665,199	4,820,199	4,328,129	492,070
Public Safety:				
Police	7,166,381	7,166,381	6,927,991	238,390
Fire	5,108,928	5,195,928	5,151,684	44,244
Public Services	7,597,664	7,814,664	6,981,225	833,439
Health and Welfare	725,014	725,014	620,080	104,934
Culture and Recreation	2,243,862	2,248,862	1,969,654	279,208
Building and Community Development	1,352,286	1,352,286	928,460	423,826
<i>Total Expenditures</i>	<u>28,859,334</u>	<u>29,323,334</u>	<u>26,907,223</u>	<u>2,416,111</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,458,976)	(2,164,734)	3,095,948	5,260,682
Other Financing Uses				
Transfers Out	(1,051,258)	(1,051,258)	(1,051,258)	0
<i>Net Change in Fund Balance</i>	(4,510,234)	(3,215,992)	2,044,690	5,260,682
<i>Fund Balance Beginning of Year</i>	13,179,155	13,179,155	13,179,155	0
Prior Year Encumbrances Appropriated	1,700,734	1,700,734	1,700,734	0
<i>Fund Balance End of Year</i>	<u>\$10,369,655</u>	<u>\$11,663,897</u>	<u>\$16,924,579</u>	<u>\$5,260,682</u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2006

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$50,153	<u>\$402,975</u>
Liabilities		
Undistributed Monies	0	\$874
Deposits Held and Due to Others	<u>0</u>	<u>402,101</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$402,975</u>
Net Assets		
Held in Trust for Recreation	1,127	
Held in Trust for Unclaimed Monies	<u>49,026</u>	
<i>Total Net Assets</i>	<u>\$50,153</u>	

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2006

	Private Purpose Trust
Additions	
Interest	\$42
Unclaimed Monies	1,785
<i>Total Additions</i>	1,827
Deductions	
Materials and Supplies	35
Refund of Unclaimed Monies	75
<i>Total Deductions</i>	110
<i>Change in Net Assets</i>	1,717
<i>Net Assets Beginning of Year</i>	48,436
<i>Net Assets End of Year</i>	\$50,153

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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.

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.

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 City participates in one jointly governed organization, the Northeast Ohio Public Energy Council. This organization is described in Note 12 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 unless those pronouncements 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, 2006

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. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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 Fund The capital improvements fund accounts for transfers from the general fund and special assessments 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, 2006

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 trust funds are a private purpose trust which accounts for donated monies to provide funds for the Beachwood Men's Softball League and unclaimed monies. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The agency funds account for construction deposits, commercial permit taxes paid to the State, and withholdings tax collections that are due to the cities of Warrensville Heights and Cleveland.

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 funds are 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 funds 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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax 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, 2006, but which were levied to finance year 2007 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. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" and represent deposits.

During fiscal year 2006, investments were limited to repurchase agreements, the Victory Federal Money Market Mutual Fund, federal national mortgage notes, U.S. Treasury Notes, non-negotiable certificates of deposit, federal home loan notes, and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices or in the case of a mutual fund, the fund's current share price. Nonparticipating investment contracts such as non-negotiable certificate of deposits and repurchase agreements are reported at cost.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to \$1,694,286, which includes \$711,149 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, 2006, 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. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition 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

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The City's infrastructure consists of streets, water lines, sanitary sewers, and storm sewers and includes infrastructure acquired prior to December 31, 1980.

I. 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.

J. 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.

K. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$8,842,757 of restricted net assets, none of which is

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for police, street lights and improvements to the 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. Internal Activity

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

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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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.

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	\$4,846,388
Net Adjustments for Revenue Accruals	(757,367)
Beginning Fair Value Adjustment for Investments	(305,584)
Ending Fair Value Adjustment for Investments	11,737
Net Adjustments for Expenditure Accruals	(242,063)
Encumbrances	<u>(1,508,421)</u>
Budget Basis	<u><u>\$2,044,690</u></u>

Note 4 - Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active deposits 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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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.

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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$940,277 of the City's bank balance of \$1,275,104 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of December 31, 2006, the City had the following investments:

	Fair Value	Maturity		
		Less Than 6 Months	6-12 Months	1-5 Years
Repurchase Agreements	\$2,998,586	\$2,998,586	\$0	\$0
Victory Federal Money Market Mutual Fund	702,798	702,798	0	0
Federal National Mortgage Notes	6,917,813	997,188	2,960,313	2,960,312
U.S. Treasury Notes	3,975,938	993,125	1,982,813	1,000,000
Federal Home Loan Notes	16,900,763	7,942,546	6,988,128	1,970,089
STAROhio	1,014,413	1,014,413	0	0
Total Investments	\$32,510,311	\$14,648,656	\$11,931,254	\$5,930,401

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet anticipated cash flow requirements.

Credit Risk The Victory Federal Money Market Mutual Fund and STAROhio carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal National Mortgage Notes, the Federal Home Loan Notes and the securities underlying the repurchase agreements are all rated Aaa by Moody's Investors Service. The City has no investment policy that addresses credit risk.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Notes and the securities underlying the repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City does not have an investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The City places no limit on the amount it may invest in any one issuer. The City's investments in the Federal National Mortgage Notes, U.S. Treasury Notes and the Federal Home Loan Notes represents 21.3 percent, 12.2 and 52.0 percent respectively, of the City's total investments.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 5 - Receivables

Receivables at December 31, 2006, 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 \$6,346,064 in the Bond Retirement Fund and \$342,216 in the Capital Improvement Fund. At December 31, 2006 the amount of delinquent special assessments was \$11,441.

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 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006 on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes which became a lien December 31, 2005, are levied after October 1, 2006, and collected in 2007 real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005 on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2006, was \$4.00 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$744,816,350
Tangible Personal Property	41,435,646
Public Utility Property	<u>11,371,830</u>
Total Valuation	<u><u>\$797,623,826</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, 2006

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2006 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 2006 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 of the tax 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 first and tenth business days 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	\$681,400
Gasoline Tax	197,797
Local Government Tax	144,544
Homestead and Rollback	84,810
Other	6,483
Total	<u>\$1,115,034</u>

Note 6 - 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. Employees are paid for earned, unused vacation leave at the time of termination.

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. Annually, any employee who has in excess of 1,500 sick leave hours will receive a lump sum cash payment of 33 1/3 percent of the hours in excess of 1,500 hours. Upon death or retirement, employees with accumulated service time of 20 years or more or who qualify for retirement, at date of termination, under the Public Employees Retirement System or the Ohio Police and Fire Pension Fund, are entitled to convert 40 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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 7 – Interfund Transfers

A transfer of \$1,051,258 was made during calendar year 2006 from the general fund to the bond retirement fund. The transfer was to move money for the payment of general obligation bonds.

Note 8 - Litigation

The City 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 9 – Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$9,880,236	\$0	\$0	\$9,880,236
Construction in Progress	759,935	3,491,003	(3,961,888)	289,050
<i>Total Capital Assets, not being depreciated</i>	<u>10,640,171</u>	<u>3,491,003</u>	<u>(3,961,888)</u>	<u>10,169,286</u>
<i>Capital Assets, being depreciated</i>				
Land Improvements	6,897,330	182,663	0	7,079,993
Buildings and Improvements	31,355,144	3,961,888	0	35,317,032
Furniture and Equipment	3,442,981	536,036	(169,294)	3,809,723
Vehicles	5,318,552	229,670	(404,592)	5,143,630
Infrastructure				
Streets	50,789,332	2,194,316	(1,429,751)	51,553,897
Water Lines	3,307,266	0	0	3,307,266
Sanitary Sewers	2,027,430	0	0	2,027,430
Storm Sewers	1,584,229	0	0	1,584,229
<i>Total Capital Assets, being depreciated</i>	<u>\$104,722,264</u>	<u>\$7,104,573</u>	<u>(\$2,003,637)</u>	<u>\$109,823,200</u>

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Less Accumulated Depreciation				
Land Improvements	(\$772,990)	(\$344,866)	\$0	(\$1,117,856)
Buildings and Improvements	(3,715,760)	(627,103)	0	(4,342,863)
Furniture and Equipment	(2,186,995)	(252,484)	123,230	(2,316,249)
Vehicles	(4,434,950)	(263,870)	392,466	(4,306,354)
Infrastructure				
Streets	(23,623,618)	(2,336,763)	1,429,751	(24,530,630)
Water Lines	(676,553)	(79,397)	0	(755,950)
Sanitary Sewers	(264,610)	(40,548)	0	(305,158)
Storm Sewers	(235,691)	(31,685)	0	(267,376)
<i>Total Accumulated Depreciation</i>	<u>(35,911,167)</u>	<u>(3,976,716) *</u>	<u>1,945,447</u>	<u>(37,942,436)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>68,811,097</u>	<u>3,127,857</u>	<u>(58,190)</u>	<u>71,880,764</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$79,451,268</u>	<u>\$6,618,860</u>	<u>(\$4,020,078)</u>	<u>\$82,050,050</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$503,349
Public Safety:	
Police	171,789
Fire	187,446
Public Services	2,766,660
Health and Welfare	6,282
Culture and Recreation	327,760
Building and Community Development	<u>13,430</u>
Total Depreciation Expense	<u>\$3,976,716</u>

The City received an original Peter Max painting valued at \$14,950. The City has recorded this as a capital contribution.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 10 - Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2006:

Project	Contract Amount	Amount Paid	Remaining on Contract
Municipal Center Renovation	\$12,996,439	(\$12,757,843)	\$238,596
Economic Development	581,328	(393,527)	187,801
Community Center Project	3,157,860	(2,930,267)	227,593
Road Improvements	1,679,466	(1,339,830)	339,636
Storm and Sanitary Sewer Improvements	100,000	(22,109)	77,891
City Hall Security Update	43,806	(186)	43,620
Solar Systems Networking	13,428	(11,528)	1,900
Shaker Park East Trails	156,125	0	156,125
Total	\$18,728,452	(\$17,455,290)	\$1,273,162

Note 11 - 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 2006, the City contracted with HCC Insurance Company for various types of insurance as follows:

Type	Coverage
Employee Dishonesty	\$100,000
Law Enforcement Liability	1,000,000
Money and Securities	50,000
Automobile - Comprehensive	1,000,000
Blanket Coverage - All Property	43,971,406
General Liability	1,000,000
Public Officials	1,000,000
Umbrella	5,000,000

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

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

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 12 - 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 118 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 2006. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308.

Note 13 - 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 percent 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 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. The City's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005 and 2004 were \$657,641, \$667,553 and \$656,705 respectively; 90.0 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$1,523 made by the City and \$1,001 made by the plan members.

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 while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ending December 31, 2006, 2005, and 2004 were \$853,916, \$803,566, and \$773,984 respectively, equal to the required contributions for each year. The full amount has been contributed for 2005 and 2004. 70.15 percent has been contributed for 2006.

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, 2006, the City's volunteer firefighters, hired after August 3, 1992, are covered by Social Security. The City's liability is 6.2 percent of wages paid.

Note 14 - 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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase between 0.50 percent and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$321,672. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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.

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 funds of 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 rate 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 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors 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 2006 that were used to fund postemployment benefits were \$248,101 for police and \$227,856 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 15 - Long-Term Obligations

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

	Outstanding 12/31/2005	Additions	(Reductions)	Outstanding 12/31/2006	Amounts Due In One Year
Special Assessment Bonds with Governmental Commitment					
\$127,000 1985 9.375%					
Timberland Drive Improvement	\$6,000	\$0	(\$6,000)	\$0	\$0
\$670,000 1988 7.500%					
Blossom Lane Improvement	165,000	0	(50,000)	115,000	55,000
\$235,000 1989 7.150%					
Meadoway Drive Improvement	75,000	0	(15,000)	60,000	20,000
\$4,855,000 1990 7.000%					
Various Projects	1,920,000	0	(335,000)	1,585,000	355,000
\$610,000 1994 6.750%					
Various Projects	370,000	0	(25,000)	345,000	30,000
\$2,270,000 1994 4.900%					
George Zeigler Drive Improvements	1,555,000	0	(105,000)	1,450,000	110,000
\$555,000 2000 5.400%					
Street and Sewer Improvements	475,000	0	(20,000)	455,000	20,000
\$2,150,000 2002 2.250%					
Various Projects	1,910,000	0	(85,000)	1,825,000	85,000
<i>Total Special Assessments Bonds</i>	<u>6,476,000</u>	<u>0</u>	<u>(641,000)</u>	<u>5,835,000</u>	<u>675,000</u>
General Obligation Bonds					
\$3,850,000 2002 2.250%					
Fire Station	3,430,000	0	(145,000)	3,285,000	150,000
\$9,805,000 2004 4.600%					
City Hall	9,445,000	0	(375,000)	9,070,000	375,000
Premium on City Hall Bonds	183,012	0	(9,632)	173,380	0
Total City Hall Bonds	9,628,012	0	(384,632)	9,243,380	375,000
<i>Total General Obligation Bonds</i>	<u>13,058,012</u>	<u>0</u>	<u>(529,632)</u>	<u>12,528,380</u>	<u>525,000</u>
Compensated Absences	1,779,153	223,900	(34,620)	1,968,433	680,690
<i>Total General Long-term Obligations</i>	<u>\$21,313,165</u>	<u>\$223,900</u>	<u>(\$1,205,252)</u>	<u>\$20,331,813</u>	<u>\$1,880,690</u>

General obligation bonds will be paid from the general bond retirement 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.

In 2004, the City issued \$9,805,000 in general obligation bonds at interest rates varying from 2.00 percent to 5.00 percent. The bond issue included \$4,035,000 in serial bonds and \$5,770,000 in term bonds.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

The term bonds maturing on December 1, 2016, December 1, 2019, and December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective amounts as follows:

<u>Year</u>	<u>Amount</u>
2015	\$450,000
2016	475,000
2017	495,000
2018	520,000
2019	550,000
2020	600,000
2021	625,000
2022	655,000
2023	685,000
2024	715,000

The term bonds maturing on or after December 1, 2015 are subject to prior redemption at the option of the City, either in whole or in part, on any date on or after December 1, 2014, at 100 percent of par plus interest accrued to the redemption date.

The City's overall legal debt margin was \$71,869,330 at December 31, 2006. Principal and interest requirements to retire outstanding general obligation and special assessment bonds at December 31, 2006, are as follows:

<u>Year</u>	<u>General Obligation Bonds</u>			
	<u>Current Interest</u>		<u>Current Interest</u>	
	<u>Serial Bonds</u>		<u>Term Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$525,000	\$519,987	\$0	\$0
2008	530,000	506,263	0	0
2009	550,000	490,062	0	0
2010	565,000	472,922	0	0
2011	590,000	454,983	0	0
2012-2016	2,300,000	1,415,295	925,000	528,260
2017-2021	1,240,000	253,705	2,790,000	886,050
2022-2024	285,000	13,823	2,055,000	191,820
Total	<u>\$6,585,000</u>	<u>\$4,127,040</u>	<u>\$5,770,000</u>	<u>\$1,606,130</u>

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Year	Special Assessment Bonds	
	Principal	Interest
2007	\$675,000	\$322,468
2008	720,000	281,102
2009	705,000	236,758
2010	725,000	193,730
2011	295,000	149,363
2012-2016	1,720,000	507,165
2017-2021	840,000	160,992
2022	155,000	7,517
Total	<u>\$5,835,000</u>	<u>\$1,859,095</u>

Note 16 – Change in Accounting Principle

For fiscal year 2006, the City has implemented GASB Statement No. 47, “Accounting for Termination Benefits”. GASB Statement No. 47 established standards of accounting and financial reporting for termination benefits.

The implementation of GASB Statement No. 47 did not materially affect the presentation of the financial statements of the City.

Combining Statements and Individual Fund Schedules

Combining Statements – Nonmajor Governmental Funds

All nonmajor governmental funds are special revenue funds.

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

City of Beachwood, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006

	Street Construction, Maintenance and Repair	State Highway	Mayor's Court Improvement
Assets			
Equity in Pooled Cash and Cash Equivalents	\$581,937	\$164,288	\$24,092
Property Taxes Receivable	0	0	0
Intergovernmental Receivable	182,993	14,804	0
<i>Total Assets</i>	<u>\$764,930</u>	<u>\$179,092</u>	<u>\$24,092</u>
Liabilities and Fund Balances			
Liabilities			
Intergovernmental Payable	\$0	\$0	\$0
Deferred Revenue	114,383	9,241	0
<i>Total Liabilities</i>	<u>114,383</u>	<u>9,241</u>	<u>0</u>
Fund Balances			
Reserved for Encumbrances	112,023	0	20,583
Unreserved, Undesignated, Reported in Special Revenue Funds	538,524	169,851	3,509
<i>Total Fund Balances</i>	<u>650,547</u>	<u>169,851</u>	<u>24,092</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$764,930</u>	<u>\$179,092</u>	<u>\$24,092</u>

Law Enforcement Trust	Police Pension	Street Lights	Paramedic Trust	Total Nonmajor Governmental Funds
\$101,442	\$120,073	\$111,286	\$6,230	\$1,109,348
0	244,374	0	0	244,374
0	8,637	0	0	206,434
<u>\$101,442</u>	<u>\$373,084</u>	<u>\$111,286</u>	<u>\$6,230</u>	<u>\$1,560,156</u>
\$0	\$67,221	\$0	\$0	\$67,221
0	253,011	0	0	376,635
0	320,232	0	0	443,856
146	0	0	0	132,752
101,296	52,852	111,286	6,230	983,548
101,442	52,852	111,286	6,230	1,116,300
<u>\$101,442</u>	<u>\$373,084</u>	<u>\$111,286</u>	<u>\$6,230</u>	<u>\$1,560,156</u>

City of Beachwood, Ohio

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2006

	Street Construction, Maintenance and Repair	State Highway	Mayor's Court Improvement
Revenues			
Property and Other Taxes	\$0	\$0	\$0
Fines, Licenses, and Permits	0	0	8,750
Intergovernmental	462,594	37,263	0
Special Assessments	0	0	0
Interest	28,679	5,387	0
<i>Total Revenues</i>	<u>491,273</u>	<u>42,650</u>	<u>8,750</u>
Expenditures			
Current:			
General Government	0	0	47,157
Public Safety:			
Police	0	0	0
Public Services	660,728	0	0
<i>Total Expenditures</i>	<u>660,728</u>	<u>0</u>	<u>47,157</u>
<i>Net Change in Fund Balances</i>	(169,455)	42,650	(38,407)
<i>Fund Balances Beginning of Year</i>	<u>820,002</u>	<u>127,201</u>	<u>62,499</u>
<i>Fund Balances End of Year</i>	<u><u>\$650,547</u></u>	<u><u>\$169,851</u></u>	<u><u>\$24,092</u></u>

Law Enforcement Trust	Police Pension	Street Lights	Paramedic Trust	Total Nonmajor Governmental Funds
\$0	\$200,782	\$0	\$0	\$200,782
68,341	0	0	0	77,091
0	12,352	0	0	512,209
0	0	32,678	0	32,678
2,736	0	0	0	36,802
<u>71,077</u>	<u>213,134</u>	<u>32,678</u>	<u>0</u>	<u>859,562</u>
0	0	0	0	47,157
18,876	209,647	15,527	0	244,050
0	0	0	0	660,728
<u>18,876</u>	<u>209,647</u>	<u>15,527</u>	<u>0</u>	<u>951,935</u>
52,201	3,487	17,151	0	(92,373)
49,241	49,365	94,135	6,230	1,208,673
<u>\$101,442</u>	<u>\$52,852</u>	<u>\$111,286</u>	<u>\$6,230</u>	<u>\$1,116,300</u>

Combining Statement - 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 Funds

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.

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

Agency Funds

Commercial Permits Tax Fund – This fund accounts for monies collected by the City in accordance with State Law and is remitted back to the State of Ohio.

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.

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 Fiduciary Net Assets
Private Purpose Trust Funds
December 31, 2006

	Leo Weiss Trust	Unclaimed Monies	Total
Assets			
Equity Pooled in Cash and Cash Equivalents	<u>\$1,127</u>	<u>\$49,026</u>	<u>\$50,153</u>
 Net Assets			
Held in Trust for Recreation	\$1,127	\$0	\$1,127
Held in Trust for Unclaimed Monies	<u>0</u>	<u>49,026</u>	<u>49,026</u>
 <i>Total Net Assets</i>	<u>\$1,127</u>	<u>\$49,026</u>	<u>\$50,153</u>

City of Beachwood, Ohio
Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended December 31, 2006

	Leo Weiss Trust	Unclaimed Monies	Total
Additions			
Interest	\$42	\$0	\$42
Unclaimed Monies	0	1,785	1,785
<i>Total Additions</i>	42	1,785	1,827
Deductions			
Materials and Supplies	35	0	35
Refund of Unclaimed Monies	0	75	75
<i>Total Deductions</i>	35	75	110
<i>Change in Net Assets</i>	7	1,710	1,717
<i>Net Assets Beginning of Year</i>	1,120	47,316	48,436
<i>Net Assets End of Year</i>	\$1,127	\$49,026	\$50,153

City of Beachwood, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2006

	Beginning Balance 1/1/06	Additions	Deductions	Ending Balance 12/31/06
Commercial Permits Tax				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$541	\$13,961	\$13,628	\$874
Liabilities				
Undistributed Monies	\$541	\$13,961	\$13,628	\$874
Special Trust and Agency				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$394,704	\$394,704	\$0
Liabilities				
Deposits Held and Due to Others	\$0	\$394,704	\$394,704	\$0
Deposits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$433,295	\$322,881	\$354,075	\$402,101
Liabilities				
Deposits Held and Due to Others	\$433,295	\$322,881	\$354,075	\$402,101
Total - All Agency Funds				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$433,836	\$731,546	\$762,407	\$402,975
Liabilities				
Undistributed Monies	\$541	\$13,961	\$13,628	\$874
Deposits Held and Due to Others	433,295	717,585	748,779	402,101
<i>Total Liabilities</i>	\$433,836	\$731,546	\$762,407	\$402,975

**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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$3,594,053	\$3,321,054	\$3,579,038	\$257,984
Municipal Income Taxes	15,592,661	17,602,002	19,007,652	1,405,650
Charges for Services	1,465,742	1,487,642	1,627,668	140,026
Fines, Licenses, and Permits	753,732	753,732	808,188	54,456
Intergovernmental	2,758,858	2,758,858	3,369,317	610,459
Interest	1,104,227	1,104,227	1,371,902	267,675
Other	131,085	131,085	239,406	108,321
<i>Total Revenues</i>	25,400,358	27,158,600	30,003,171	2,844,571
Expenditures				
Current:				
General Government:				
Council:				
Personal Services	112,000	112,000	80,531	31,469
Contractual Services	46,300	46,300	42,500	3,800
Materials and Supplies	1,800	1,800	250	1,550
Other	65,000	65,000	60,154	4,846
Total Council	225,100	225,100	183,435	41,665
Mayor:				
Personal Services	438,716	438,716	438,427	289
Contractual Services	28,423	28,423	6,788	21,635
Materials and Supplies	21,800	21,800	16,402	5,398
Capital Outlay	65,344	65,659	65,659	0
Other	36,501	36,186	18,477	17,709
Total Mayor	590,784	590,784	545,753	45,031
Finance Director:				
Personal Services	1,074,054	1,089,054	1,029,690	59,364
Contractual Services	1,498,436	1,568,436	1,339,065	229,371
Materials and Supplies	29,099	29,099	22,164	6,935
Capital Outlay	131,514	131,514	91,970	39,544
Other	328,072	343,072	320,822	22,250
Total Finance Director	\$3,061,175	\$3,161,175	\$2,803,711	\$357,464

(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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Law Department:				
Personal Services	\$425,942	\$425,942	\$419,587	\$6,355
Contractual Services	282,202	359,202	333,378	25,824
Materials and Supplies	15,542	15,542	9,017	6,525
Capital Outlay	13,767	13,767	13,596	171
Other	50,687	28,687	19,652	9,035
Total Law Department	788,140	843,140	795,230	47,910
Total General Government	4,665,199	4,820,199	4,328,129	492,070
Public Safety:				
Police Department:				
Personal Services	6,196,859	6,256,859	6,170,757	86,102
Contractual Services	457,557	457,557	386,394	71,163
Materials and Supplies	61,175	61,175	56,821	4,354
Capital Outlay	332,815	272,815	216,428	56,387
Other	117,975	117,975	97,591	20,384
Total Police Department	7,166,381	7,166,381	6,927,991	238,390
Fire Department:				
Personal Services	4,756,473	4,868,473	4,865,503	2,970
Contractual Services	131,846	131,846	123,899	7,947
Materials and Supplies	94,283	81,783	65,484	16,299
Capital Outlay	66,348	66,348	57,599	8,749
Other	59,978	47,478	39,199	8,279
Total Fire Department	5,108,928	5,195,928	5,151,684	44,244
Total Public Safety	12,275,309	12,362,309	12,079,675	282,634
Public Services:				
Service Department:				
Personal Services	385,153	388,153	375,619	12,534
Contractual Services	8,959	8,959	8,181	778
Materials and Supplies	56,358	53,358	35,471	17,887
Capital Outlay	16,607	16,607	15,469	1,138
Other	19,424	19,424	12,414	7,010
Total Service Department	\$486,501	\$486,501	\$447,154	\$39,347

(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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Building and Grounds:				
Personal Services	\$827,480	\$873,480	\$834,625	\$38,855
Contractual Services	652,397	636,397	472,143	164,254
Materials and Supplies	188,540	188,540	165,291	23,249
Capital Outlay	139,600	89,600	83,534	6,066
Other	64,453	74,453	68,880	5,573
Total Building and Grounds	1,872,470	1,862,470	1,624,473	237,997
Fleet Maintenance:				
Personal Services	683,895	668,895	580,590	88,305
Contractual Services	240,734	240,734	189,419	51,315
Materials and Supplies	507,754	522,754	508,740	14,014
Capital Outlay	5,119	15,119	7,222	7,897
Total Fleet Maintenance	1,437,502	1,447,502	1,285,971	161,531
Streets, Sidewalks, and Sewers:				
Personal Services	1,419,269	1,542,269	1,507,756	34,513
Contractual Services	134,039	144,039	128,365	15,674
Materials and Supplies	514,583	459,583	346,617	112,966
Capital Outlay	57,000	196,000	148,618	47,382
Other	5,000	5,000	997	4,003
Total Streets, Sidewalks, and Sewers	2,129,891	2,346,891	2,132,353	214,538
Sanitation:				
Personal Services	592,068	592,068	534,799	57,269
Contractual Services	229,174	226,874	171,842	55,032
Materials and Supplies	167,670	169,970	168,617	1,353
Capital Outlay	412,459	412,459	399,349	13,110
Other	1,000	1,000	247	753
Total Sanitation	1,402,371	1,402,371	1,274,854	127,517
Engineering Department:				
Personal Services	190,718	190,718	188,930	1,788
Contractual Services	58,331	58,331	22,770	35,561
Materials and Supplies	4,201	4,201	1,242	2,959
Capital Outlay	10,295	10,295	1,604	8,691
Other	5,384	5,384	1,874	3,510
Total Engineering Department	268,929	268,929	216,420	52,509
Total Public Services	\$7,597,664	\$7,814,664	\$6,981,225	\$833,439

(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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and Welfare:				
Human Services Department:				
Personal Services	\$390,822	\$390,822	\$364,533	\$26,289
Contractual Services	183,711	183,711	133,429	50,282
Materials and Supplies	52,156	52,156	50,964	1,192
Capital Outlay	58,427	58,427	38,650	19,777
Other	39,898	39,898	32,504	7,394
Total Health and Welfare	725,014	725,014	620,080	104,934
Culture and Recreation				
Recreation Administration:				
Personal Services	395,761	386,761	360,970	25,791
Contractual Services	336,557	337,557	330,157	7,400
Materials and Supplies	34,601	42,601	42,024	577
Capital Outlay	16,928	26,928	26,606	322
Other	36,072	26,072	18,893	7,179
Total Recreation Administration	819,919	819,919	778,650	41,269
Recreation Camps:				
Personal Services	277,490	277,490	218,716	58,774
Contractual Services	112,513	112,513	99,101	13,412
Materials and Supplies	22,768	22,768	13,040	9,728
Capital Outlay	1,500	1,500	0	1,500
Other	4,210	4,210	2,179	2,031
Total Recreation Camps	418,481	418,481	333,036	85,445
Recreation Sports Programs:				
Personal Services	31,400	31,400	28,550	2,850
Contractual Services	65,232	65,232	54,206	11,026
Materials and Supplies	38,595	38,595	30,856	7,739
Capital Outlay	7,254	7,254	6,246	1,008
Other	4,000	4,000	3,030	970
Total Recreation Sports Programs	146,481	146,481	122,888	23,593
Recreation Other Programs:				
Personal Services	109,667	109,667	100,737	8,930
Contractual Services	103,224	105,224	86,636	18,588
Materials and Supplies	13,360	14,360	8,914	5,446
Capital Outlay	2,982	2,982	1,482	1,500
Other	6,000	8,000	6,598	1,402
Total Recreation Other Programs	\$235,233	\$240,233	\$204,367	\$35,866

(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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation Parks/Swimming Pools:				
Personal Services	\$348,300	\$338,200	\$302,451	\$35,749
Contractual Services	206,825	199,825	145,028	54,797
Materials and Supplies	47,869	57,869	56,109	1,760
Capital Outlay	18,604	25,704	25,438	266
Other	2,150	2,150	1,687	463
Total Recreation Parks/Swimming Pools	623,748	623,748	530,713	93,035
Total Culture and Recreation	2,243,862	2,248,862	1,969,654	279,208
Building and Community Development:				
Building Development:				
Personal Services	1,009,982	1,009,982	843,725	166,257
Contractual Services	88,358	88,358	36,776	51,582
Materials and Supplies	23,422	23,422	13,005	10,417
Capital Outlay	196,849	196,849	15,593	181,256
Other	33,675	33,675	19,361	14,314
Total Building and Community Development	1,352,286	1,352,286	928,460	423,826
<i>Total Expenditures</i>	28,859,334	29,323,334	26,907,223	2,416,111
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,458,976)	(2,164,734)	3,095,948	5,260,682
Other Financing Uses				
Transfers Out	(1,051,258)	(1,051,258)	(1,051,258)	0
<i>Net Change in Fund Balance</i>	(4,510,234)	(3,215,992)	2,044,690	5,260,682
<i>Fund Balance Beginning of Year</i>	13,179,155	13,179,155	13,179,155	0
Prior Year Encumbrances Appropriated	1,700,734	1,700,734	1,700,734	0
<i>Fund Balance End of Year</i>	\$10,369,655	\$11,663,897	\$16,924,579	\$5,260,682

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$848,665	\$940,000	\$930,356	(\$9,644)
Interest	0	0	36,093	36,093
<i>Total Revenues</i>	848,665	940,000	966,449	26,449
Expenditures				
Debt Service:				
Principal Retirement	1,161,000	1,161,000	1,161,000	0
Interest and Fiscal Charges	924,000	924,000	896,162	27,838
<i>Total Expenditures</i>	2,085,000	2,085,000	2,057,162	27,838
<i>Excess of Revenues Under Expenditures</i>	(1,236,335)	(1,145,000)	(1,090,713)	54,287
Other Financing Sources				
Transfers In	1,051,258	1,051,258	1,051,258	0
<i>Net Change in Fund Balance</i>	(185,077)	(93,742)	(39,455)	54,287
<i>Fund Balance Beginning of Year</i>	513,283	513,283	513,283	0
<i>Fund Balance End of Year</i>	\$328,206	\$419,541	\$473,828	\$54,287

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$0	\$0	\$21,657	\$21,657
Expenditures				
Capital Outlay:				
Contractual Services	732,410	192,410	154,875	37,535
Capital Outlay	7,883,511	10,023,511	8,932,814	1,090,697
Other	50,000	50,000	0	50,000
<i>Total Expenditures</i>	8,665,921	10,265,921	9,087,689	1,178,232
<i>Excess of Revenues Under Expenditures</i>	(8,665,921)	(10,265,921)	(9,066,032)	1,199,889
Other Financing Sources				
Transfers In	2,000,000	0	0	0
<i>Net Change in Fund Balance</i>	(6,665,921)	(10,265,921)	(9,066,032)	1,199,889
<i>Fund Balance Beginning of Year</i>	14,313,289	14,313,289	14,313,289	0
Prior Year Encumbrances Appropriated	5,665,921	5,665,921	5,665,921	0
<i>Fund Balance End of Year</i>	<u>\$13,313,289</u>	<u>\$9,713,289</u>	<u>\$10,913,178</u>	<u>\$1,199,889</u>

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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$348,000	\$380,000	\$460,488	\$80,488
Interest	12,000	12,000	28,679	16,679
<i>Total Revenues</i>	360,000	392,000	489,167	97,167
Expenditures				
Current:				
Public Services:				
Streets, Sidewalks, and Maintenance:				
Contractual Services	123,488	123,488	61,584	61,904
Capital Outlay	740,031	740,031	712,807	27,224
<i>Total Expenditures</i>	863,519	863,519	774,391	89,128
<i>Net Change in Fund Balance</i>	(503,519)	(471,519)	(285,224)	186,295
<i>Fund Balance Beginning of Year</i>	691,619	691,619	691,619	0
Prior Year Encumbrances Appropriated	63,519	63,519	63,519	0
<i>Fund Balance End of Year</i>	\$251,619	\$283,619	\$469,914	\$186,295

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$30,000	\$31,000	\$37,092	\$6,092
Interest	1,000	1,700	5,387	3,687
<i>Total Revenues</i>	<u>31,000</u>	<u>32,700</u>	<u>42,479</u>	<u>9,779</u>
Expenditures				
Current:				
Public Services:				
Streets, Sidewalks, and Maintenance:				
Contractual Services	20,000	20,000	0	20,000
Capital Outlay	130,000	130,000	0	130,000
<i>Total Expenditures</i>	<u>150,000</u>	<u>150,000</u>	<u>0</u>	<u>150,000</u>
<i>Net Change in Fund Balance</i>	(119,000)	(117,300)	42,479	159,779
<i>Fund Balance Beginning of Year</i>	<u>121,809</u>	<u>121,809</u>	<u>121,809</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,809</u></u>	<u><u>\$4,509</u></u>	<u><u>\$164,288</u></u>	<u><u>\$159,779</u></u>

City of Beachwood, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Mayor's Court Improvement Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines, Licenses, and Permits	\$11,000	\$8,000	\$8,750	\$750
Expenditures				
Current:				
General Government:				
Mayor:				
Contractual Services	2,500	0	0	0
Materials and Supplies	2,500	100	0	100
Capital Outlay	60,000	67,900	67,740	160
<i>Total Expenditures</i>	65,000	68,000	67,740	260
<i>Net Change in Fund Balance</i>	(54,000)	(60,000)	(58,990)	1,010
<i>Fund Balance Beginning of Year</i>	62,499	62,499	62,499	0
<i>Fund Balance End of Year</i>	\$8,499	\$2,499	\$3,509	\$1,010

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines, Licenses, and Permits	\$500	\$500	\$68,341	\$67,841
Interest	50	50	2,736	2,686
<i>Total Revenues</i>	550	550	71,077	70,527
Expenditures				
Current:				
Public Safety:				
Police Department:				
Contractual Services	500	500	0	500
Materials and Supplies	14,500	10,500	3,636	6,864
Capital Outlay	24,000	24,000	13,676	10,324
Other	7,000	11,000	1,710	9,290
<i>Total Expenditures</i>	46,000	46,000	19,022	26,978
<i>Net Change in Fund Balance</i>	(45,450)	(45,450)	52,055	97,505
<i>Fund Balance Beginning of Year</i>	49,241	49,241	49,241	0
<i>Fund Balance End of Year</i>	\$3,791	\$3,791	\$101,296	\$97,505

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$194,034	\$194,034	\$200,782	\$6,748
Intergovernmental	22,000	19,100	12,352	(6,748)
<i>Total Revenues</i>	216,034	213,134	213,134	0
Expenditures				
Current:				
Public Safety:				
Police Department:				
Personal Services	322,578	322,578	322,578	0
Other	647	500	147	353
<i>Total Expenditures</i>	323,225	323,078	322,725	353
<i>Net Change in Fund Balance</i>	(107,191)	(109,944)	(109,591)	353
<i>Fund Balance Beginning of Year</i>	49,365	49,365	49,365	0
Prior Year Encumbrances Appropriated	113,078	113,078	113,078	0
<i>Fund Balance End of Year</i>	\$55,252	\$52,499	\$52,852	\$353

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Assessments	\$21,200	\$21,200	\$32,678	\$11,478
Expenditures				
Current:				
Public Safety:				
Police:				
Streets, Sidewalks, and Sewers:				
Contractual Services	21,473	21,473	15,527	5,946
<i>Net Change in Fund Balance</i>	(273)	(273)	17,151	17,424
<i>Fund Balance Beginning of Year</i>	94,112	94,112	94,112	0
Prior Year Encumbrances Appropriated	23	23	23	0
<i>Fund Balance End of Year</i>	<u>\$93,862</u>	<u>\$93,862</u>	<u>\$111,286</u>	<u>\$17,424</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Public Safety:				
Fire Department:				
Capital Outlay	6,230	6,230	0	6,230
<i>Net Change in Fund Balance</i>	(6,230)	(6,230)	0	6,230
<i>Fund Balance Beginning of Year</i>	6,230	6,230	6,230	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$6,230</u>	<u>\$6,230</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$20	\$20	\$42	\$22
Expenses				
Materials and Supplies	100	100	35	65
<i>Net Change in Fund Equity</i>	(80)	(80)	7	87
<i>Fund Equity Beginning of Year</i>	1,120	1,120	1,120	0
<i>Fund Equity End of Year</i>	\$1,040	\$1,040	\$1,127	\$87

City of Beachwood, Ohio
Schedule of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
Unclaimed Monies Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Unclaimed Monies	\$0	\$0	\$1,785	\$1,785
Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	0	0	1,785	1,785
Refund of Unclaimed Money	<u>46,500</u>	<u>46,500</u>	<u>75</u>	<u>(46,425)</u>
<i>Net Change in Fund Equity</i>	(46,500)	(46,500)	1,710	48,210
<i>Fund Equity Beginning of Year</i>	<u>47,316</u>	<u>47,316</u>	<u>47,316</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$816</u></u>	<u><u>\$816</u></u>	<u><u>\$49,026</u></u>	<u><u>\$48,210</u></u>

Statistical Section

This part of the City of Beachwood, Ohio's Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	Page(s)
Financial Trends	S2-S9
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	S10-S13
These schedules contain information to help the reader assess the City's most significant local revenue, the property tax and the municipal income tax.	
Debt Capacity	S14-S19
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt in the future.	
Economic and Demographic Information	S20-S22
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	S23-S25
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2001; schedules presenting government-wide information begin in that year.

City of Beachwood, Ohio
Net Assets by Component
Last Six Years
(Accrual Basis of Accounting)

	<u>2006</u>	<u>2005</u>	<u>2004 (1)</u>	<u>2003</u>
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$63,860,050	\$60,100,268	\$56,465,096	\$57,272,685
Restricted	8,842,757	9,868,110	10,731,005	8,656,948
Unrestricted	<u>35,014,581</u>	<u>36,479,619</u>	<u>40,762,268</u>	<u>40,861,854</u>
<i>Total Governmental Activities</i> <i>Net Assets</i>	<u>\$107,717,388</u>	<u>\$106,447,997</u>	<u>\$107,958,369</u>	<u>\$106,791,487</u>

(1) Reflects restated amount due to restatement of capital assets and special assessment receivables

<u>2002</u>	<u>2001</u>
\$47,734,116	\$44,084,204
9,455,579	8,006,037
<u>47,742,886</u>	<u>48,303,428</u>
<u>\$104,932,581</u>	<u>\$100,393,669</u>

City of Beachwood, Ohio
Changes in Net Assets
Last Six Years
(Accrual Basis of Accounting)

	2006	2005	2004	2003
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$35,719	\$15,762	\$10,670	\$95,684
Public Safety				
Police	335,521	208,424	270,094	239,440
Fire**	628,159	643,882	0	0
Public Services	0	0	0	0
Health and Welfare	0	0	0	0
Culture and Recreation	913,943	909,491	785,183	758,189
Building and Community Development	610,309	563,345	505,957	514,950
Operating Grants and Contributions	515,601	488,834	429,669	408,346
Capital Grants and Assessments	14,950	572,750	20,287	505,530
<i>Total Governmental Activities</i>				
<i>Program Revenues</i>	<u>3,054,202</u>	<u>3,402,488</u>	<u>2,021,860</u>	<u>2,522,139</u>
Expenses				
Governmental Activities:				
General Government	4,459,785	3,748,490	2,511,715	4,028,788
Public Safety				
Police	6,955,837	6,833,161	6,225,921	6,009,450
Fire	4,993,303	4,893,094	4,453,299	4,531,561
Public Services	9,862,993	9,522,260	10,242,815 *	9,264,750
Health and Welfare	558,952	548,302	474,014	513,502
Culture and Recreation	2,193,222	2,182,972	2,128,733	1,010,747
Building and Community Development	878,959	1,018,644	1,043,557	1,031,733
Interest and Fiscal Charges	882,345	930,269	709,870	610,840
<i>Total Governmental Activities Expenses</i>	<u>30,785,396</u>	<u>29,677,192</u>	<u>27,789,924</u>	<u>27,001,371</u>
<i>Total Primary Government Net Expense</i>	<u>(27,731,194)</u>	<u>(26,274,704)</u>	<u>(25,768,064)</u>	<u>(24,479,232)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property and Other Local Taxes Levied For:				
General Purposes	3,682,048	3,550,016	3,357,014	3,241,615
Police Pension	210,604	204,686	190,840	190,773
Municipal Income Taxes Levied				
For General Purposes	19,722,442	16,810,393	16,689,510	15,489,199
Grants and Entitlements not Restricted to				
Specific Programs	3,378,904	3,029,826	3,193,163	6,155,914
Investment Earnings	1,767,181	1,016,236	562,074	1,012,572
Gain on Sale of Capital Assets	0	0	0	2,500
Other	239,406	153,175	149,053	245,565
<i>Total Governmental Activities</i>	<u>29,000,585</u>	<u>24,764,332</u>	<u>24,141,654</u>	<u>26,338,138</u>
<i>Total Primary Government</i>				
<i>Change in Net Assets</i>	<u>\$1,269,391</u>	<u>(\$1,510,372)</u>	<u>(\$1,626,410) *</u>	<u>\$1,858,906</u>

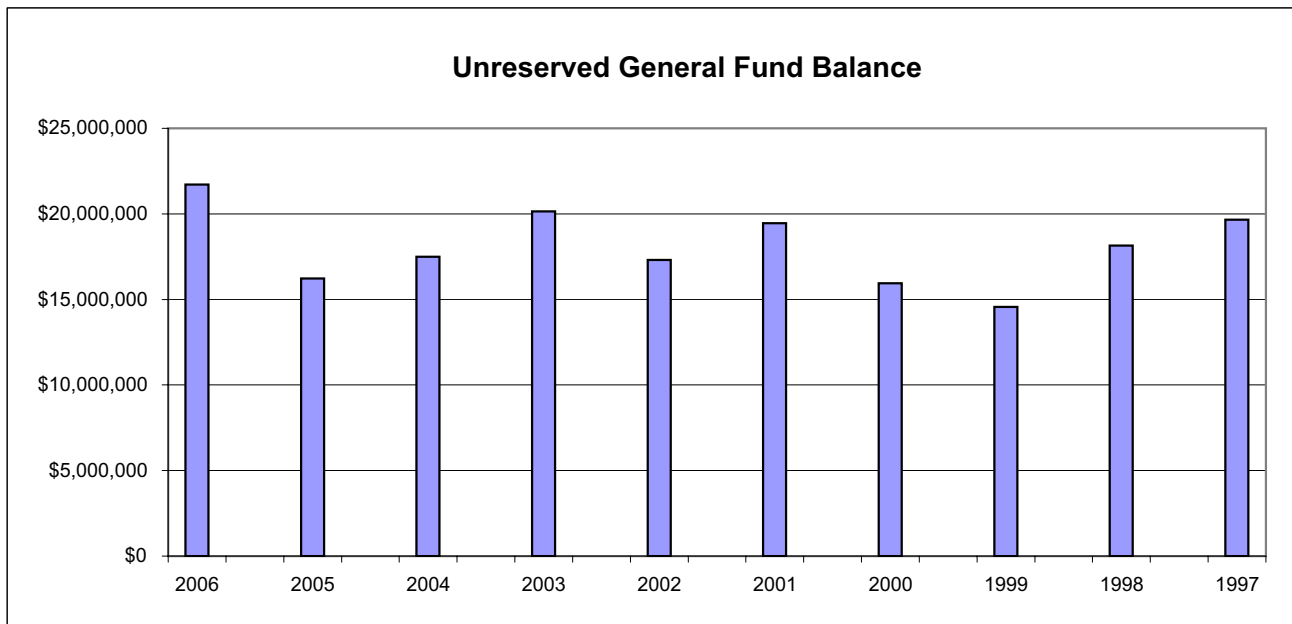
* Reflects restated amount due to restatement of capital assets and special assessment receivables

** The increase in charges for services from 2004 to 2005 is due to the fact that the City starting charging fees for EMS services in 2005

2002	2001
\$76,201	\$353,533
84,811	21,346
3,040	3,610
206,990	10,288
0	107,322
648,638	414,229
511,037	619,997
330,391	335,413
2,179,686	69,119
4,040,794	1,934,857
2,695,883	2,644,334
5,875,828	5,627,976
4,078,613	4,465,052
8,147,093	8,367,104
482,859	371,027
1,295,346	1,724,729
986,127	925,213
584,774	529,908
24,146,523	24,655,343
(20,105,729)	(22,720,486)
3,259,792	3,275,885
195,475	189,039
15,334,871	15,532,281
3,182,728	4,617,259
2,454,536	3,084,949
7,206	20,469
210,033	380,164
24,644,641	27,100,046
\$4,538,912	\$4,379,560

City of Beachwood, Ohio
Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

	2006	2005	2004	2003
General Fund				
Reserved	\$849,576	\$1,494,421	\$995,081	\$1,079,978
Unreserved	21,718,004	16,226,771	17,489,029	20,150,935
<i>Total General Fund</i>	<u>22,567,580</u>	<u>17,721,192</u>	<u>18,484,110</u>	<u>21,230,913</u>
All Other Governmental Funds				
Reserved	1,755,138	4,510,983	2,989,800	11,499,399
Undesignated, Reported in:				
Special Revenue Funds	983,548	1,146,771	957,874	508,767
Debt Service Fund	473,828	513,283	479,498	504,219
Capital Projects Funds	10,794,608	14,135,185	19,295,899	8,234,572
Total All Other Governmental Funds	<u>14,007,122</u>	<u>20,306,222</u>	<u>23,723,071</u>	<u>20,746,957</u>
<i>Total Governmental Funds</i>	<u><u>\$36,574,702</u></u>	<u><u>\$38,027,414</u></u>	<u><u>\$42,207,181</u></u>	<u><u>\$41,977,870</u></u>



2002	2001	2000	1999	1998	1997
\$1,200,590	\$877,051	\$700,286	\$850,923	\$918,528	\$1,262,452
17,302,884	19,461,647	15,941,298	14,564,461	18,143,498	19,654,690
18,503,474	20,338,698	16,641,584	15,415,384	19,062,026	20,917,142
7,330,762	3,205,668	3,690,544	1,680,769	4,724,946	1,167,698
387,982	653,809	710,186	906,479	858,241	671,044
456,726	644,905	712,680	713,027	691,806	721,360
22,260,528	20,648,932	20,671,838	24,709,796	18,773,319	18,785,142
30,435,998	25,153,314	25,785,248	28,010,071	25,048,312	21,345,244
\$48,939,472	\$45,492,012	\$42,426,832	\$43,425,455	\$44,110,338	\$42,262,386

City of Beachwood, Ohio
Changes in Fund Balances, Governmental Funds
Last Ten Years
(Modified Accrual Basis of Accounting)

	2006	2005	2004	2003
Revenues				
Property and Other Taxes	\$3,740,957	\$3,617,531	\$3,556,398	\$3,376,597
Municipal Income Taxes	19,773,905	16,546,653	16,952,888	15,889,265
Charges for Services	1,605,704	1,551,729	857,811	841,764
Fines, Licenses, and Permits	885,269	764,600	754,228	762,430
Intergovernmental	3,904,940	3,760,230	3,668,755	6,592,396
Special Assessments	984,691	1,080,198	936,559	997,060
Interest	1,767,181	1,016,236	562,074	1,012,572
Other	239,406	153,175	149,053	245,565
<i>Total Revenues</i>	<u>32,902,053</u>	<u>28,490,352</u>	<u>27,437,766</u>	<u>29,717,649</u>
Expenditures				
Current:				
General Government	4,016,348	3,583,744	3,392,026	3,021,551
Public Safety (1)				
Police	6,864,212	6,483,602	6,318,172	6,059,303
Fire	4,762,553	4,664,119	4,460,482	4,267,579
Public Services	7,144,377	6,616,107	5,897,243	6,385,038
Health and Welfare	584,270	535,182	460,894	508,654
Culture and Recreation	1,871,385	1,855,756	1,812,889	1,603,876
Building and Community Development	865,529	1,005,214	1,024,899	1,037,271
Capital Outlay	6,188,929	5,866,548	12,438,315	12,499,069
Debt Service:				
Principal Retirement	1,161,000	1,116,000	721,000	676,000
Interest and Fiscal Charges	896,162	943,847	680,179	620,910
<i>Total Expenditures</i>	<u>34,354,765</u>	<u>32,670,119</u>	<u>37,206,099</u>	<u>36,679,251</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,452,712)</u>	<u>(4,179,767)</u>	<u>(9,768,333)</u>	<u>(6,961,602)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	0	0
General Obligation Notes Issued	0	0	0	0
Premium on Notes	0	0	0	0
General Obligation Bonds Issued	0	0	9,805,000	0
Special Assessment Bonds Issued	0	0	0	0
Premium on Bonds	0	0	192,644	0
Transfers In	1,051,258	3,046,720	5,389,130	2,839,783
Transfers Out	(1,051,258)	(3,046,720)	(5,389,130)	(2,839,783)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>9,997,644</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u><u>(\$1,452,712)</u></u>	<u><u>(\$4,179,767)</u></u>	<u><u>\$229,311</u></u>	<u><u>(\$6,961,602)</u></u>
Debt Service as a Percentage of Noncapital Expenditures	7.42%	7.68%	5.66%	5.36%

(1) Starting in 2001, Public Safety expenditures were broken out between Police and Fire

2002	2001	2000	1999	1998	1997
\$3,447,868	\$3,439,087	\$3,337,248	\$3,274,191	\$3,099,963	\$6,185,093
15,456,366	15,805,371	15,733,023	14,035,958	13,437,873	14,786,784
715,656	684,746	556,452	599,805	889,564	687,330
732,896	845,579	637,602	635,959	873,213	929,560
3,346,547	4,927,390	4,369,859	3,073,641	2,885,619	1,155,770
463,543	500,461	1,085,235	974,751	963,511	1,041,403
2,454,536	3,084,949	3,052,504	1,895,120	2,656,226	2,237,905
210,033	380,164	68,649	195,892	574,435	151,668
26,827,445	29,667,747	28,840,572	24,685,317	25,380,404	27,175,513
2,447,651	2,360,436	2,280,102	2,254,477	2,141,822	1,750,146
		8,672,783	8,464,810	8,004,484	6,706,503
5,761,739	5,390,781	n/a	n/a	n/a	n/a
3,788,238	3,834,322	n/a	n/a	n/a	n/a
6,146,724	5,931,831	6,333,048	5,596,884	5,206,040	4,915,061
461,467	412,988	338,744	297,133	74,602	0
1,386,484	1,277,910	1,175,955	1,135,689	1,214,131	1,265,314
939,157	903,246	909,417	862,872	795,265	791,317
5,371,032	5,533,568	9,746,101	7,299,746	5,280,119	2,553,922
446,000	2,461,000	2,431,000	430,000	1,035,000	1,015,000
574,025	542,799	531,908	498,298	533,940	576,127
27,322,517	28,648,881	32,419,058	26,839,909	24,285,403	19,573,390
(495,072)	1,018,866	(3,578,486)	(2,154,592)	1,095,001	7,602,123
0	20,469	22,150	14,900	53,758	26,814
0	2,000,000	2,000,000	2,000,000	601,110	600,000
0	12,620	0	0	0	0
3,850,000	0	0	0	0	0
2,150,000	0	555,000	0	0	0
0	0	0	0	0	0
7,000,000	5,000,000	7,000,000	10,823,038	8,750,000	6,000
(7,000,000)	(5,000,000)	(7,000,000)	(10,823,038)	(8,750,000)	(6,000)
6,000,000	2,033,089	2,577,150	2,014,900	654,868	626,814
\$5,504,928	\$3,051,955	(\$1,001,336)	(\$139,692)	\$1,749,869	\$8,228,937
4.65%	12.99%	13.07%	4.75%	8.26%	9.35%

City of Beachwood, Ohio
Income Tax Revenue Base and Collections
Last Ten Years

<u>Tax Year</u>	<u>Tax Rate (1)</u>	<u>Total Tax Collected (2)</u>	<u>Taxes From Withholding</u>	<u>Percentage of Taxes From Withholding</u>	<u>Taxes From Net Profits</u>
2006	1.50%	\$19,722,442	\$15,817,398	80.20%	\$2,169,469
2005	1.50	16,810,393	14,016,506	83.38	1,613,798
2004	1.50	16,689,510	13,937,410	83.51	1,625,558
2003	1.50	15,489,199	13,158,075	84.95	1,274,761
2002	1.50	15,334,871	12,464,183	81.28	1,768,111
2001	1.50	15,532,281	12,927,517	83.23	1,539,249
2000	1.50	15,733,023	12,831,854	81.56	1,785,698
1999	1.50	14,035,958	11,625,984	82.83	1,319,380
1998	1.50	13,437,873	10,739,548	79.92	1,756,330
1997	1.50	14,786,784	11,217,254	75.86	1,534,868

(1) The City's basic income tax rate may only be increased by a majority vote of the City's residents.

(2) Total tax collected is on a full accrual basis from 2001 - 2006. 1997 - 2000 is on a modified accrual basis.

Percentage of Taxes From Net Profits	Taxes From Individuals	Percentage of Taxes From Individuals
11.00%	\$1,735,575	8.80%
9.60	1,180,089	7.02
9.74	1,126,542	6.75
8.23	1,056,363	6.82
11.53	1,102,577	7.19
9.91	1,065,515	6.86
11.35	1,115,471	7.09
9.40	1,090,594	7.77
13.07	941,995	7.01
10.38	2,034,662	13.76

City of Beachwood, Ohio
Income Tax Statistics
Current Year and Five Years Ago

2006

Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
\$0-\$24,999	1,319	34.96%	\$3,139,427	0.84%
\$25,000-\$49,999	601	15.93	22,087,936	5.89
\$50,000-\$74,999	428	11.34	26,892,791	7.18
\$75,000-\$99,999	345	9.15	29,739,635	7.94
Over \$100,000	1,080	28.62	292,840,642	78.15
Total	3,773		\$374,700,431	

2001 (1)

Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
\$0-\$24,999	1,371	35.17%	\$8,868,213	2.71%
\$25,000-\$49,999	646	16.57	23,585,757	7.20
\$50,000-\$74,999	451	11.57	27,986,180	8.55
\$75,000-\$99,999	382	9.80	31,211,150	9.53
Over \$100,000	1,048	26.89	235,788,580	72.01
Total	3,898		\$327,439,880	

(1) Information prior to 2001 is not available.

City of Beachwood, Ohio
Principal Income Taxpayers
Current Year and Six Years Ago (Cash Basis)

The following are the principal income taxpayers in the City, ranked in order of payroll withholding.

2006	
Taxpayer	Ranking
Bank of America	1
Developers Diversified	2
Lamson & Sessions Company	3
Menorah Park Center	4
Cleveland Clinic Foundation	5
Tremco Inc.	6
Beachwood Board of Education	7
Aleris Ohio Management Inc.	8
National City Corporation	9
Medical Mutual of Ohio	10

2000	
Taxpayer	Ranking
MBNA Marketing Services Inc.	1
Menorah Park Center	2
Beachwood Board of Education	3
Christian and Timbers Inc.	4
Imperial Home Decor Group	5
Lamson & Sessions Company	6
Tremco Inc.	7
Penske Logistics Inc.	8
Montefire Home	9
Credit General Insurance Company	10

Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer.

Source: Regional Income Tax Agency

City of Beachwood, Ohio
Ratios of Bonded Debt Outstanding and Legal Debt Margin
Last Ten Years

	2006	2005	2004	2003
Population	12,186	12,186	12,186	12,186
Total Assessed Property Value	<u>\$797,623,826</u>	<u>\$755,070,022</u>	<u>\$749,966,828</u>	<u>\$755,137,685</u>
General Bonded Debt Outstanding:				
General Obligation Bonds	\$12,355,000	\$12,875,000	\$13,380,000	\$3,715,000
Bond Anticipation Notes	0	0	0	0
Special Assessment Bonds	<u>5,835,000</u>	<u>6,476,000</u>	<u>7,087,000</u>	<u>7,668,000</u>
Total Gross Indebtedness	18,190,000	19,351,000	20,467,000	11,383,000
Less:				
Special Assessment Bonds	(5,835,000)	(6,476,000)	(7,087,000)	(7,668,000)
Debt Service Fund Balance	<u>(473,828)</u>	<u>(513,283)</u>	<u>(479,498)</u>	<u>(504,219)</u>
Total Net Debt Applicable to Debt Limit	<u>11,881,172</u>	<u>12,361,717</u>	<u>12,900,502</u>	<u>3,210,781</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Total Assessed Property Value	1.49%	1.64%	1.72%	0.43%
Total Net Debt per Capita	\$975	\$1,014	\$1,059	\$263
Overall Legal Debt Limit (10 1/2% of Assessed Valuation)	<u>83,750,502</u>	<u>79,282,352</u>	<u>78,746,517</u>	<u>79,289,457</u>
Legal Debt Margin within 10 1/2% Limitation	<u>71,869,330</u>	<u>66,920,635</u>	<u>65,846,015</u>	<u>76,078,676</u>
Legal Debt Margin as a Percentage of the Debt Limit	85.81%	84.41%	83.62%	95.95%
Unvoted Debt Limitation 5 1/2% of Assessed Valuation	<u>\$43,869,310</u>	<u>\$41,528,851</u>	<u>\$41,248,176</u>	<u>\$41,532,573</u>
Total Gross Indebtedness	18,190,000	19,351,000	20,467,000	11,383,000
Less:				
Special Assessment Bonds	(5,835,000)	(6,476,000)	(7,087,000)	(7,668,000)
Debt Service Fund Balance	<u>(473,828)</u>	<u>(513,283)</u>	<u>(479,498)</u>	<u>(504,219)</u>
Net Debt within 5 1/2% Limitation	<u>11,881,172</u>	<u>12,361,717</u>	<u>12,900,502</u>	<u>3,210,781</u>
Unvoted Legal Debt Margin within 5 1/2% Limitation	<u>\$31,988,138</u>	<u>\$29,167,134</u>	<u>\$28,347,674</u>	<u>\$38,321,792</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	72.92%	70.23%	68.72%	92.27%

Source: City Financial Records

2002	2001	2000	1999	1998	1997
12,186	12,186	12,186	10,677	10,677	10,677
<u>\$716,923,271</u>	<u>\$713,817,941</u>	<u>\$704,187,234</u>	<u>\$625,979,001</u>	<u>\$615,421,121</u>	<u>\$580,801,639</u>
\$3,850,000	\$0	\$0	\$0	\$0	\$0
0	6,000,000	2,000,000	2,600,000	600,000	600,000
<u>8,209,000</u>	<u>6,505,000</u>	<u>6,966,000</u>	<u>6,842,000</u>	<u>7,272,000</u>	<u>7,707,000</u>
12,059,000	12,505,000	8,966,000	9,442,000	7,872,000	8,307,000
(8,209,000)	(6,505,000)	(6,966,000)	(6,842,000)	(7,272,000)	(7,707,000)
<u>(456,726)</u>	<u>0</u>	<u>(712,780)</u>	<u>(713,027)</u>	<u>(691,806)</u>	<u>(721,360)</u>
<u>3,393,274</u>	<u>6,000,000</u>	<u>1,287,220</u>	<u>1,886,973</u>	<u>(91,806)</u>	<u>(121,360)</u>
0.47%	0.84%	0.18%	0.30%	-0.01%	-0.02%
\$278	\$492	\$106	\$177	(\$9)	(\$11)
<u>75,276,943</u>	<u>74,950,884</u>	<u>73,939,660</u>	<u>65,727,795</u>	<u>64,619,218</u>	<u>60,984,172</u>
<u>71,883,669</u>	<u>68,950,884</u>	<u>72,652,440</u>	<u>63,840,822</u>	<u>64,711,024</u>	<u>61,105,532</u>
95.49%	91.99%	98.26%	97.13%	100.14%	100.20%
<u>\$39,430,780</u>	<u>\$39,259,987</u>	<u>\$38,730,298</u>	<u>\$34,428,845</u>	<u>\$33,848,162</u>	<u>\$31,944,090</u>
12,059,000	12,505,000	8,966,000	9,442,000	7,872,000	8,307,000
(8,209,000)	(6,505,000)	(6,966,000)	(6,842,000)	(7,272,000)	(7,707,000)
<u>(456,726)</u>	<u>0</u>	<u>(712,780)</u>	<u>(713,027)</u>	<u>(691,806)</u>	<u>(721,360)</u>
<u>3,393,274</u>	<u>6,000,000</u>	<u>1,287,220</u>	<u>1,886,973</u>	<u>(91,806)</u>	<u>(121,360)</u>
<u>\$36,037,506</u>	<u>\$33,259,987</u>	<u>\$37,443,078</u>	<u>\$32,541,872</u>	<u>\$33,939,968</u>	<u>\$32,065,450</u>
91.39%	84.72%	96.68%	94.52%	100.27%	100.38%

City of Beachwood, Ohio
Computation of Direct and Overlapping Governmental Activities Debt
December 31, 2006

	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Beachwood
Direct - City of Beachwood, Ohio			
General Obligation Bonds	\$12,355,000	100.00%	\$12,355,000
Special Assessment Bonds	<u>5,835,000</u>	100.00%	<u>5,835,000</u>
<i>Total Direct</i>	<u>18,190,000</u>		<u>18,190,000</u>
Overlapping			
Cuyahoga County			
General Obligation Bonds	219,189,000	2.41%	5,282,455
Loans Payable	9,812,000	2.41%	236,469
Capital Leases	30,898,000	2.41%	744,642
Revenue Bonds	106,015,000	2.41%	2,554,962
Beachwood City Schools			
General Obligation Bonds	15,002,713	100.00%	15,002,713
Notes Payable	3,435,000	100.00%	3,435,000
Capital Leases	216,448	100.00%	216,448
Regional Transit Authority			
General Obligation Bonds	131,860,000	2.41%	3,177,826
Loans Payable	<u>4,580,196</u>	2.41%	<u>110,383</u>
<i>Total Overlapping</i>	<u>521,008,357</u>		<u>30,760,897</u>
<i>Totals</i>	<u><u>\$539,198,357</u></u>		<u><u>\$48,950,897</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.

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City of Beachwood, Ohio
*Ratio of General Bonded Debt to Assessed
Property Values and Ratio of Outstanding Debt to
Total Personal Income and Debt Per Capita
Last Ten Years*

Year	General Bonded Debt	Total Assessed Property Value	Percentage of Assessed Property Value	Per Capita (1)
2006	\$12,528,380	\$797,623,826	1.57%	\$1,028
2005	13,058,012	755,070,022	1.73	1,072
2004	13,572,644	749,966,828	1.81	1,114
2003	3,715,000	755,137,685	0.49	305
2002	3,850,000	716,923,271	0.54	316
2001	0	713,817,941	0.00	0
2000	0	704,187,234	0.00	0
1999	0	625,979,001	0.00	0
1998	0	615,421,121	0.00	0
1997	0	580,801,639	0.00	0

(1) See Schedule on S20 for personal income and population data.

Other Governmental Activities Debt				
Special Assessment Bonds	Bond Anticipation Notes	Total Debt	Percentage of Personal Income (1)	Per Capita (1)
\$5,835,000	\$0	\$18,363,380	3.72%	\$1,507
6,476,000	0	19,534,012	3.96	1,603
7,087,000	0	20,659,644	4.19	1,695
7,668,000	0	11,383,000	2.31	934
8,209,000	0	12,059,000	2.44	990
6,505,000	2,000,000	8,505,000	1.72	698
6,966,000	2,000,000	8,966,000	1.82	736
6,842,000	2,000,000	8,842,000	2.77	828
7,272,000	600,000	7,872,000	2.47	737
7,707,000	600,000	8,307,000	2.60	778

City of Beachwood, Ohio
Demographic and Economic Statistics
Last Ten Years

Year	Population (1)	Total Personal Income (3)	Personal Income Per Capita (1)	Median Household Income (1)	Median Age (1)
2006	12,186	\$493,642,674	\$40,509	\$65,406	51.6
2005	12,186	493,642,674	40,509	65,406	51.6
2004	12,186	493,642,674	40,509	65,406	51.6
2003	12,186	493,642,674	40,509	65,406	51.6
2002	12,186	493,642,674	40,509	65,406	51.6
2001	12,186	493,642,674	40,509	65,406	51.6
2000	12,186	493,642,674	40,509	65,406	51.6
1999	10,677	318,932,667	29,871	54,340	50.9
1998	10,677	318,932,667	29,871	54,340	50.9
1997	10,677	318,932,667	29,871	54,340	50.9

(1) Source: U.S. Census

(a) Years 2000 through 2005 - 2000 Federal Census

(b) Years 1996 through 1999 - 1990 Federal Census

(2) Source: Beachwood City Schools

(3) Computation of per capita personal income multiplied by population.

(4) Ohio Labor Market Website: www.lmi.state.oh.us

School Enrollment (2)	Educational Attainment: Bachelor's Degree or Higher (1)	Cuyahoga County Unemployment Rate (4)	Average Sales Price of Residential Property	Total Assessed Property Value
1,541	50.9%	5.5%	\$282,835	\$797,623,826
1,541	50.9	6.1	302,735	755,070,022
1,539	50.9	6.6	296,751	749,966,828
1,521	50.9	6.2	277,111	755,137,685
1,521	50.9	6.6	264,818	716,923,271
1,628	50.9	4.6	249,356	713,817,941
1,574	50.9	4.5	266,900	704,187,234
1,549	44.2	4.5	244,900	625,979,001
1,528	44.2	4.5	227,600	615,421,121
1,474	44.2	4.5	219,800	580,801,639

City of Beachwood, Ohio
Principal Employers
Current Year and Previous Year (1)

2006		
Employer	Employees	Percentage of Total
Bank of America	2,997	13.69%
Menorah Park Center	950	4.34
Nordstrom	715	3.27
Beachwood Board of Education	632	2.89
Montefiore Home	607	2.77
Cleveland Clinic Foundation	504	2.30
Developers Diversified	400	1.83
Degussa Admixtures Inc.	213	0.97
Medical Mutual of Ohio	210	0.95
Brulant	205	0.93
Total	7,433	33.94%
Total Employment within the City	21,898	

2005		
Employer	Employees	Percentage of Total
MBNA Marketing Services Inc.	3,061	13.47%
Menorah Park Center	1,407	6.19
Developers Diversified	539	2.37
Cleveland Clinic Foundation	479	2.11
Beachwood Board of Education	403	1.77
Tremco Inc.	293	1.29
Lamson & Sessions Company	196	0.86
Brulant Inc.	183	0.81
Medical Mutual of Ohio	181	0.80
National City Bank Corp	138	0.61
Total	6,880	30.28%
Total Employment within the City	22,720	

Source: Regional Income Tax Agency

(1) Only the current year and previous year information were available.

City of Beachwood, Ohio
Operating Indicators by Function/Program
Last Four Years (1)

Function/Program	2006	2005	2004	2003
General Government				
Number of Ordinances and Resolutions	160	149	172	171
Number of checks processed (excluding payroll)	4,962	4,823	4,901	5,092
Number of purchase orders issued	4,225	4,278	4,158	4,338
Public Safety				
Police				
Total arrests	609	576	633	636
Drug arrests	11	21	36	30
OVI arrests (formally DUI)	71	53	86	69
Warrants served	160	243	236	288
Total complaints	3,654	3,725	3,832	3,903
Fire				
Total EMS and Fire responses	3,613	3,701	3,495	3,240
Total Fire responses	1,049	1,150	1,088	1,031
Total EMS responses	2,564	2,551	2,407	2,209
Routine fire safety inspections	881	908	711	1,174
Re-inspections	725	481	388	396
New construction inspections	182	103	27	115
Public Services				
Tons of rubbish picked up	4,843	4,836	5,192	5,085
Tons of leaves collected for recycling	3,007	2,588	1,631	1,404
Number of trees planted	353	251	198	505
Number of catch basins cleaned and repaired	297	381	347	312
Tons of cold patch used	24	66	26	29
Tons of concrete poured and finished	279	423	606	794
Tons of salt purchased	4,695	13,908	8,803	9,648
Health and Welfare				
Number of senior trips taken	50	48	59	56
Culture and Recreation				
Total attendance at Aquatic Center (2)	57,000	76,526	67,561	46,536
Building and Community Development				
Number of permits issued	264	248	265	245

(1) Information prior to 2003 is not available.

(2) The Beachwood Family Aquatic Center opened in July of 2003

City of Beachwood, Ohio
Capital Assets Statistics by Function/Program
Last Five Years (1)

Function/Program	2006	2005	2004	2003	2002
General Government					
Square Footage Occupied (2)	70,786	70,786	37,206	37,206	37,206
Vehicles	2	2	2	2	2
Police					
Stations	1	1	1	1	1
Square Footage of Building	72,254	72,254	68,170	68,170	68,170
Vehicles	32	31	30	30	29
Fire Station					
Stations	2	2	2	2	2
Square Footage of Fire Station #1	21,970	21,970	21,970	21,970	21,970
Square Footage of Fire Station #2	5,472	5,472	5,472	5,472	5,472
Vehicles	11	10	10	10	11
Public Service					
Streets (miles)	46	46	46	46	46
Vehicles	55	55	55	55	52
Square Footage of Building	41,285	41,285	41,285	41,285	41,285
Health and Welfare					
Vehicles	3	2	2	2	2
Culture and Recreation					
Number of Parks	2	2	2	1	1
Number of Pools	1	1	1	1	1
Vehicles	1	1	1	1	1
Square Footage of Community Center (3)	14,000	8,000	8,000	8,000	8,000
Building and Community Development					
Vehicles	8	7	7	7	7

(1) Information prior to 2002 is not available.

(2) In 2005, the City completed a major remodel/expansion of City Hall.

(3) In 2006, the City completed a major remodel/expansion of the Community Center

City of Beachwood, Ohio
Full-Time Equivalent City Government Employees by Function/Program
Last Five Years (1)

	2006	2005	2004	2003	2002
General Government					
Council	7.0	7.0	7.0	7.0	7.0
Mayor's Office	4.5	4.5	4.0	4.0	4.0
Finance	13.0	13.0	10.0	12.0	10.0
Law	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police Administration	4.0	3.0	3.0	3.0	3.0
Police Officers	42.0	40.0	40.0	42.0	42.0
Dispatchers	12.0	11.0	11.0	11.0	11.0
Police - Correction Officers	8.5	9.0	8.0	8.0	8.0
Police - Crossing Guards	7.0	6.5	6.0	6.0	6.0
Fire Administration	4.5	4.5	3.5	3.5	4.0
Fire Fighters	39.0	39.0	39.0	36.0	36.0
Public Service					
Administration	10.0	10.0	13.0	13.0	13.0
Buildings and Grounds	11.5	11.0	12.0	16.0	15.0
Fleet Maintenance	5.0	6.0	7.0	7.0	7.0
Streets, Sidewalks & Sewers	16.0	17.0	17.0	15.0	15.0
Sanitation	5.0	13.0	14.5	17.5	11.5
Culture and Recreation					
Human Services	8.5	6.5	6.5	6.0	5.5
Recreation Administration	5.0	5.0	5.0	5.0	5.0
Recreation Camps	37.0	44.5	44.0	35.0	34.5
Recreation Sports	13.5	13.0	14.5	12.5	7.5
Recreation Other	17.0	16.5	14.5	13.5	13.5
Pool and Parks	42.0	45.0	43.5	46.0	29.5
Building and Community Development					
Building Department	11.0	12.0	12.0	13.0	13.0
Total	327.0	341.0	339.0	336.0	305.0

Source: City of Beachwood 2007 Annual Budget

Method: Using 1.0 for each full-time employee and 0.50 for each part time and seasonal employee.

Counts are as of December 31 of each year.

(1) Information prior to 2002 is not available

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Mary Taylor, CPA
Auditor of State

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 19, 2007**