



THE CITY OF BEACHWOOD OHIO
Comprehensive Annual Financial Report

C A F R

for the year ended

DECEMBER 31, 2016

CITY OF
Beachwood

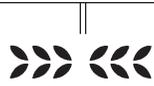
THE CITY OF BEACHWOOD OHIO

Comprehensive Annual Financial Report
for the year ended December 31, 2016



PREPARED BY : *Office of the Finance Director*
Larry A. Heiser, CPA
Finance Director

INTRODUCTORY SECTION



City of Beachwood, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2016
Table of Contents

	Page
I. Introductory Section	
Table of Contents	i
Letter of Transmittal	iv
City Officials.....	ix
Organizational Chart.....	x
GFOA Certificate of Achievement	xi
II. Financial Section	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	22
Statement of Fund Net Position – Proprietary Funds	23
Statement of Revenues, Expenditures and Changes In Fund Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Position – Fiduciary Funds	26

Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	27
Notes to the Basic Financial Statements	28
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability - OPERS.....	65
Schedule of the City’s Proportionate Share of the Net Pension Liability – Ohio Police and Fire	66
Schedule of City Contributions – OPERS – Traditional Plan	67
Schedule of City Contributions – Ohio Police and Fire	68
Combining and Individual Fund Statements and Schedules:	
Combining Statements – Nonmajor Governmental Funds:	
Fund Descriptions	71
Combining Balance Sheet – Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	74
Combining Statement – Fiduciary Funds:	
Fund Descriptions	76
Combining Statement of Changes in Assets and Liabilities – Agency Funds	77
Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balance/Equity – Budget (Non-GAAP Basis) and Actual	
General Fund.....	79
Bond Retirement Fund.....	83
Capital Improvements Fund.....	84
Street Construction, Maintenance and Repair Fund	85
State Highway Fund.....	86
Mayor’s Court Improvement Fund	87
Law Enforcement Trust Fund	88
Police Pension Fund.....	89
Street Lights Fund.....	90
Self-Insurance Fund.....	91
Leo Weiss Trust Fund.....	92
III. Statistical Section	
Contents	S1
Net Position by Component - Last Ten Years	S2
Changes in Net Position - Last Ten Years	S4
Fund Balances, Governmental Funds - Last Ten Years.....	S6
Changes in Fund Balances, Governmental Funds - Last Ten Years.....	S8
Income Tax Revenue Base and Collections - Last Ten Years	S10
Income Tax Statistics - Current Year and Nine Years Ago	S12

Principal Income Taxpayers - Current Year and Nine Years Ago.....	S13
Legal Debt Margin - Last Ten Years	S14
Computation of Direct and Overlapping Governmental Activities Debt	S16
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	S18
Demographic and Economic Statistics – Last Ten Years	S20
Principal Employers Current Year and Nine Years Ago	S22
Capital Assets Statistics by Function/Program – Last Ten Years.....	S24
Operating Indicators by Function/Program - Last Ten Years	S26
Full-Time Equivalent City Government Employees by Function/Program – Last Ten Years	S28

MAYOR
MERLE S. GORDEN

June 29, 2017

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, 2016, 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 unaudited annual report with the Auditor of State within 150 days of 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 Auditor of State's Office performed these services for the year 2016. The independent auditor's report is presented in the Financial Section of this report.

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.

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 11,953. 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 Charter, the Mayor is to be elected every fourth year. 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 ensure compliance and conformance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34." 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 (Greater 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. The legal level of control has been established by Council at the personal services and other object level within each fund. 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 December 31.

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 a Aaa 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. 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. 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. This strong commercial base should provide the City with funds to continue to provide the extraordinary level of services our residents have come to expect for several years to come.

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 continues to 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. Recent projects in the Chagrin Highlands include a new office building by Palmieri Builders and Rose Assisted Living.

The Cleveland Clinic, Eaton Corporation, and University Hospitals are the City's largest employers. These companies should provide the City with a strong core employment base for years to come.

Recent residential projects include "Vanguard Beachwood" which has begun construction on a \$39,000,000 project with 206 living units, 346 underground parking spaces and two interior courtyards and the Four Seasons Apartments completed their fourth and final stage. This \$18,900,000 project included 144 luxury distinctive apartments, a 24 hour fitness studio and four stores.

In an effort to provide the highest level of services to its residential and business community the City has spent over \$97,800,000 over the past fifteen years on City streets, facilities and recreational areas. Most of these improvements were financed with existing funds; only \$21,625,000 in general obligation debt was issued to finance these improvements and \$10,655,000 is still outstanding.

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, 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

The City has remained focused on an extensive Mater Plan which continues to be updated to meet the future growth of the City. 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. 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, the expansion and remodeling of the existing Municipal Building and Community Center, and a new Service Center Building.

The Mayor's "Vision 2014 and Beyond" has been guiding the City to address the growth of the City and development of the Chagrin Highlands area. It includes the construction of a new Fire Station and dispatch center on Richmond Road to replace Fire Station No. 2.

Additionally, on an annual basis, the City budgets for road improvement projects. 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

In addition to the Mayor's "Vision 2014 and Beyond" plan, in late 2015 the Cuyahoga County Planning Commission presented to the City a Five Year Master Plan and addresses action items related to land use, housing, economic development, community image, parks and recreation, transportation, and quality government. There is an active Master Plan Committee meeting regularly to discuss priorities and implementation of Master Plan items. For a complete copy of the Five Year Master Plan please visit the City's website at beachwoodohio.com.

The City will continue working to finalize the projects from both the Mayor's "Vision 2014 and Beyond" and the Five Year Master Plan to meet the future needs of the City and its residents.

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, 2015. This was the eighteenth 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.

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 the Local Government Services section of the Auditor of State's office 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



Larry A. Heiser, CPA
Director of Finance

City of Beachwood, Ohio

City Officials - as of December 31, 2016

ELECTED OFFICIALS

Mayor-Safety Director Merle S. Gorden
President of Council Martin S. Horwitz

Council Member Justin Berns
Council Member Alec Isaacson
Council Member Melvin M. Jacobs
Council Member Barbara Bellin Janovitz
Council Member Brian Linick
Council Member James Pasch

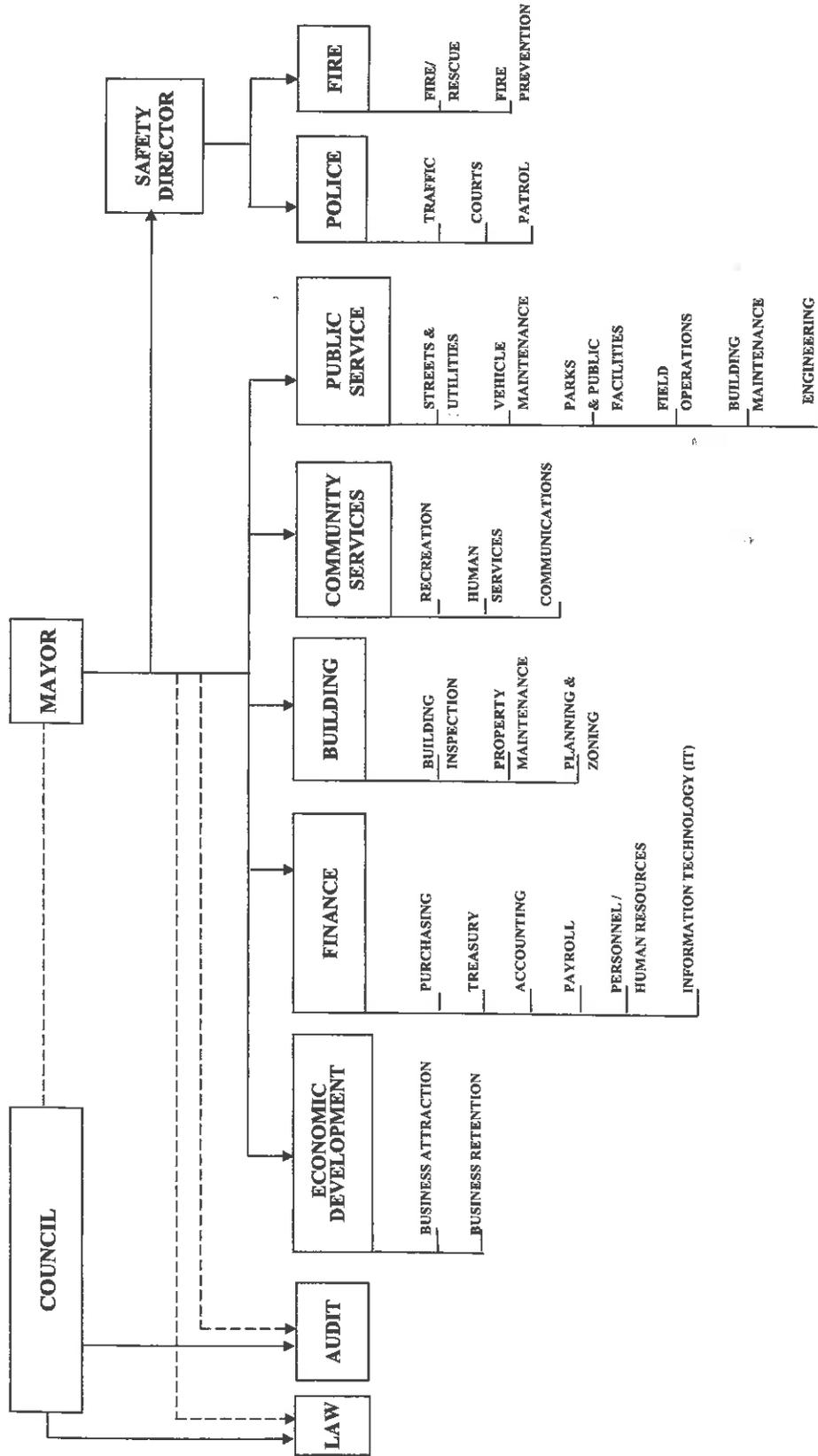
APPOINTED OFFICIALS

Acting Finance Director Michelle Kaplan*
Police Chief Keith Winebrenner
Fire Chief Patrick J. Kearns
Service Director Dale H. Pekarek
Building Commissioner..... William B. Griswold
Clerk of Courts Kelly L. Bowen
Community Service Director Karen A. Carmen
Law Director Hope Jones
City Auditor Harvey S. Rose
Clerk of Council Whitney Crook

*Larry Heiser was appointed Finance Director on December 19, 2016, with a start date of January 3, 2017.

CITY OF BEACHWOOD

Organizational Chart





Government Finance Officers Association

**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, 2015

Executive Director/CEO

FINANCIAL SECTION





Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are 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 section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

June 29, 2017

This page intentionally left blank.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
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, 2016. 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 2016 are as follows:

- The City's net position decreased by \$2,236,166 which is due to requirements of Governmental Accounting Standards Board (GASB) Statement 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. Excluding adjustments related to these standards, the City's net position increased by \$327,293.
- Capital assets, net of depreciation, increased by \$2,050,755.
- Total liabilities, excluding net pension liability, decreased by \$1,120,789.

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 Position 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 Position 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 Position 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, deferred outflows of resources, liabilities and deferred inflows of resources 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, 2016
Unaudited

From the Statement of Net Position, you can determine the City's current financial position by subtracting total liabilities and deferred inflows of resources (what the City owes) from total assets and deferred outflows of resources (what the City owns). Over time, increases or decreases in the City's net position 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 18, 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 Position and the Statement of Activities) and governmental funds is reconciled in the fund financial statements.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund accounts for revenues used to provide for workers' compensation. The proprietary fund uses the accrual basis of accounting.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The City of Beachwood as a Whole

Statement of Net Position

As noted earlier, the Statement of Net Position 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 position for 2016 and 2015.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 1
Net Position

	Governmental Activities		
	2016	2015 Restated*	Change
Assets			
Total Current and Other Assets	\$62,388,258	\$63,855,047	(\$1,466,789)
Nondepreciable Capital Assets	15,266,615	14,235,641	1,030,974
Depreciable Capital Assets, Net	74,721,544	73,701,763	1,019,781
Total Assets	152,376,417	151,792,451	583,966
Deferred Outflows of Resources			
Pension	11,981,420	4,101,268	7,880,152
Liabilities			
Total Current and Other Liabilities	2,132,827	1,377,801	755,026
Net Pension Liability	38,261,506	27,985,937	10,275,569
Long-Term Liabilities:			
Due Within One Year	2,975,496	2,885,849	89,647
Due Within More Than One Year	17,538,416	19,503,878	(1,965,462)
Total Liabilities	60,908,245	51,753,465	9,154,780
Deferred Inflows of Resources			
Property Taxes	2,677,917	2,800,455	(122,538)
Pension	322,967	154,925	168,042
Total Deferred Inflows of Resources	3,000,884	2,955,380	45,504
Net Position			
Net Investment in Capital Assets	72,371,648	68,776,471	3,595,177
Restricted for:			
Debt Service	8,290,601	8,835,280	(544,679)
Unclaimed Monies	49,041	33,179	15,862
Streets	1,086,391	707,369	379,022
Other Purposes	598,607	841,794	(243,187)
Unrestricted	18,052,420	23,490,781	(5,438,361)
Total Net Position	\$100,448,708	\$102,684,874	(\$2,236,166)

*Beginning net position as restated December 31, 2015, due to overstatement of property taxes receivable.

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service;
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange"- that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

The largest portion of the City's net position (72.0 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.

The City's financial position decreased from 2015 to 2016 as indicated by the decrease in total net position for governmental activities of \$2,236,166. If deferred inflows and net pension liability are added to total net position and deferred outflows related to pension are subtracted from total net position, the total net position for 2016 and 2015 respectively is \$127,051,761 and \$126,724,468. Under this scenario, the City's financial position increased by \$327,293.

Table 2 shows the changes in net position for 2016 and 2015 and corresponds to the Statement of Activities.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2
Change in Net Position

	Governmental Activities		
	2016	2015 Restated	Change
Revenues			
Program Revenues			
Charges for Services	\$4,362,654	\$3,726,329	\$636,325
Operating Grants, Contributions and Interest	580,804	561,164	19,640
Capital Grants and Assessments	0	7,040,066	(7,040,066)
General Revenues			
Property Taxes	2,378,774	464,323	1,914,451
Municipal Income Tax	31,406,702	31,413,201	(6,499)
Admission, Lodging and Franchise Taxes	1,588,838	1,535,722	53,116
Estate Taxes	12,140	34,935	(22,795)
Grants and Entitlements	399,031	407,038	(8,007)
Investment Earnings	279,519	148,034	131,485
Health Care Reimbursements	486,753	455,050	31,703
Other	525,789	404,522	121,267
Total Revenues	42,021,004	46,190,384	(4,169,380)
Program Expenses			
General Government	5,259,319	5,473,129	(213,810)
Public Safety:			
Police	11,441,604	8,822,787	2,618,817
Fire	8,427,825	7,586,492	841,333
Public Services	13,799,108	12,630,671	1,168,437
Health and Welfare	624,340	582,497	41,843
Culture and Recreation	2,919,961	2,807,443	112,518
Building and Community Development	1,238,072	1,126,129	111,943
Interest and Fiscal Charges	546,941	458,314	88,627
Total Expenses	44,257,170	39,487,462	4,769,708
Change in Net Position	(2,236,166)	6,702,922	(8,939,088)
Net Position Beginning of Year	102,684,874	95,981,952	6,702,922
Net Position End of Year	\$100,448,708	\$102,684,874	(\$2,236,166)

The decrease in revenues is due to a decrease in capital grants and assessments. In 2015, the City issued special assessment bonds for Eaton Boulevard. On a full accrual basis, the entire assessment is recognized as revenue in the first year. The increase in police and fire expenses is largely due to pension expense related to GASB 68. The increase in public service expenses is largely due to pension expense related to GASB 68 and an increase in salaries and benefits.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Governmental Activities

Several revenue sources fund our governmental activities with income tax revenue being the largest source. The City levies a municipal income tax of 2.0 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 \$31,406,702 in income tax collections or 74.7 percent of total 2016 revenue. Other significant sources of revenue include property taxes and EMS charges for services of which the City received \$2,378,774 and \$1,118,208 respectively in 2016.

In 2016, the City experienced a minor decrease in income taxes (\$31,413,201 in 2015 compared to \$31,406,702 in 2016 – full accrual basis). The chart below identifies income tax receipts for the last five years.

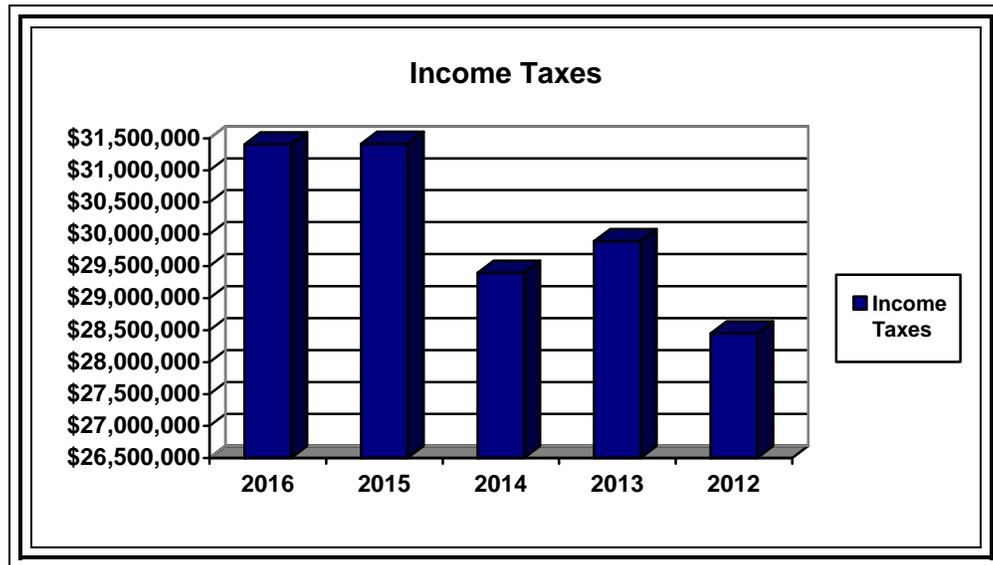


Table 3 presents a summary of governmental activity expenses and the net cost of providing these services (excluding general revenues).

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
General Government	\$5,259,319	(\$5,135,349)	\$5,473,129	(\$5,423,067)
Public Safety				
Police	11,441,604	(10,482,142)	8,822,787	(8,070,124)
Fire	8,427,825	(7,309,617)	7,586,492	(6,546,265)
Public Services	13,799,108	(13,233,435)	12,630,671	(5,043,990)
Health and Welfare	624,340	(448,900)	582,497	(398,550)
Culture and Recreation	2,919,961	(2,033,155)	2,807,443	(1,929,526)
Building and				
Community Development	1,238,072	(124,173)	1,126,129	(290,067)
Interest and Fiscal Charges	546,941	(546,941)	458,314	(458,314)
Total	\$44,257,170	(\$39,313,712)	\$39,487,462	(\$28,159,903)

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 2016.

Public safety expenses account for approximately 44.9 percent of total 2016 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. Other significant expenses include public service expenses which make up approximately 31.2 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 18. These funds are accounted for using the modified accrual basis of accounting.

The general fund is the chief operating fund of the City. The total fund balance at December 31, 2016 and 2015 was \$29,199,978 and \$26,286,801 respectively. The increase is largely due to an increase in income taxes.

The bond retirement fund is used to account for the accumulation of resources for, and the payment of, various types of debt principal, interest and related costs. The fund balance at December 31, 2016 and 2015 was \$862,918 and \$785,931 respectively. The bond retirement fund receives revenue through special

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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.

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 percent of general fund revenues. Any excess may be transferred to the capital improvements fund. The fund balance at December 31, 2016 and 2015 was \$14,701,568 and \$18,771,720 respectively. The decrease is largely due to payments for capital road projects.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The legal level of control has been established by Council at the personal services and other object level within each fund. Any budgetary modifications at this level may only be made by ordinance of City Council. During the course of the year, 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.

For the general fund, final budgeted revenues were \$41,111,800; and actual revenue collections were \$42,235,186. Final budgeted appropriations (excluding transfers) were \$40,942,399 and actual expenditures (excluding transfers) were \$37,551,352. Appropriations are always conservatively budgeted on the high side which accounts for the difference between budgeted appropriations and actual expenditures.

Debt Administration and Capital Assets

Debt

Table 4 summarizes outstanding debt at December 31, 2016 compared to December 31, 2015.

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
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2016	2015
General Obligation Bonds	\$10,948,316	\$12,422,396
Special Assessment Bonds	6,446,580	6,867,808
<i>Totals</i>	\$17,394,896	\$19,290,204

Capital Assets

Table 5 compares capital assets as of December 31, 2016 to balances at December 31, 2015.

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

	Governmental Activities	
	2016	2015
Land	\$14,235,641	\$14,235,641
Land Improvements	2,622,303	2,996,998
Buildings and Improvements	33,080,194	33,999,940
Furniture and Equipment	1,646,413	1,714,014
Vehicles	2,623,631	2,567,990
Construction in Progress	1,030,974	0
Infrastructure		
Streets	27,267,074	25,502,231
Water Lines	2,801,225	2,915,650
Sanitary Sewers	1,775,603	1,825,986
Storm Sewers	1,550,696	1,594,680
I-Net Fiber	776,403	93,211
Traffic Signals	578,002	491,063
<i>Totals</i>	\$89,988,159	\$87,937,404

Significant capital asset additions mainly include road improvements. In 2016, work was done on the following roads: Shaker Boulevard, Richmond Road – Southbound, Chagrin Boulevard and Greenlawn Avenue.

City of Beachwood, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

With regards to the City's infrastructure, the Service Director maintains a comprehensive listing of all streets, waterlines and sanitary and storm sewer lines. As part of the annual road maintenance program, the Service Director evaluates the condition of the streets and identifies which roads need to be repaired or replaced the following year. Over the last five years, the City has averaged \$3.3 million a year for the road maintenance program.

See Note 10 to the basic financial statements for additional information on the City's capital assets.

Current Financial Related Activities

The City of Beachwood is strong financially and well managed, as evidenced by the Aaa bond rating awarded the City by Moody's Investor Service and the AAA rating awarded by Fitch Investors Service. The City has continued to maintain the highest standards of service to the Citizens of Beachwood while diligently planning expenses, to stay within the City's revenues. The City is well prepared to meet the challenges of the future.

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 Larry Heiser, CPA, Finance Director at the City of Beachwood, 25325 Fairmount Boulevard, Beachwood, Ohio 44122, 216-292-1913, or email at larry.heiser@beachwoodohio.com.

City of Beachwood, Ohio
Statement of Net Position
December 31, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$42,763,626
Cash and Cash Equivalents in Segregated Accounts	2,250
Accounts Receivable	114,594
Admission Taxes Receivable	26,052
Lodging Taxes Receivable	65,619
Franchise Taxes Receivable	35,335
Intergovernmental Receivable	376,263
Materials and Supplies Inventory	975,579
Prepaid Items	232,262
Property Taxes Receivable	3,158,720
Income Taxes Receivable	6,646,480
Special Assessments Receivable	7,991,478
Nondepreciable Capital Assets	15,266,615
Depreciable Capital Assets, Net	74,721,544
<i>Total Assets</i>	152,376,417
Deferred Outflows of Resources	
Pension	11,981,420
Liabilities	
Accounts Payable	641,075
Retainage Payable	448,640
Accrued Wages	316,092
Matured Compensated Absences	86,855
Intergovernmental Payable	328,043
Accrued Interest Payable	42,348
Contracts Payable	144,471
Claims Payable	125,303
Long-Term Liabilities:	
Due Within One Year	2,975,496
Due In More Than One Year	
Net Pension Liability (See Note 12)	38,261,506
Other Amounts	17,538,416
<i>Total Liabilities</i>	60,908,245
Deferred Inflows of Resources	
Property Taxes	2,677,917
Pension	322,967
Total Deferred Inflows of Resources	3,000,884
Net Position	
Net Investment in Capital Assets	72,371,648
Restricted for:	
Debt Service	8,290,601
Unclaimed Monies	49,041
Streets	1,086,391
Other Purposes	598,607
Unrestricted	18,052,420
<i>Total Net Position</i>	\$100,448,708

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Activities
For the Year Ended December 31, 2016

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
Governmental Activities				
General Government	\$5,259,319	\$123,970	\$0	(\$5,135,349)
Public Safety:				
Police	11,441,604	944,331	15,131	(10,482,142)
Fire	8,427,825	1,118,208	0	(7,309,617)
Public Services	13,799,108	0	565,673	(13,233,435)
Health and Welfare	624,340	175,440	0	(448,900)
Culture and Recreation	2,919,961	886,806	0	(2,033,155)
Building and Community Development	1,238,072	1,113,899	0	(124,173)
Interest and Fiscal Charges	546,941	0	0	(546,941)
<i>Total Governmental Activities</i>	<u>\$44,257,170</u>	<u>\$4,362,654</u>	<u>\$580,804</u>	<u>(39,313,712)</u>

General Revenues

Property Taxes Levied for	
General Purposes	2,200,373
Police Pension	178,401
Municipal Income Taxes Levied for	
General Purposes	31,406,702
Admission, Lodging and Franchise Taxes	1,588,838
Estate Taxes	12,140
Grants and Entitlements not Restricted to Specific Programs	399,031
Investment Earnings	279,519
Health Care Reimbursements	486,753
Other	525,789

Total General Revenues 37,077,546

Change in Net Position (2,236,166)

*Net Position Beginning of Year - Restated (See
Note 17)* 102,684,874

Net Position End of Year \$100,448,708

See accompanying notes to the basic financial statements

City of Beachwood, Ohio

Balance Sheet

Governmental Funds

December 31, 2016

	General	Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$23,606,199	\$862,918	\$15,302,488	\$1,442,980	\$41,214,585
Cash and Cash Equivalents					
In Segregated Accounts	2,250	0	0	0	2,250
Property Taxes Receivable	2,921,815	0	0	236,905	3,158,720
Income Taxes Receivable	6,646,480	0	0	0	6,646,480
Admission Taxes Receivable	26,052	0	0	0	26,052
Lodging Taxes Receivable	65,619	0	0	0	65,619
Franchise Taxes Receivable	35,335	0	0	0	35,335
Accounts Receivable	114,594	0	0	0	114,594
Interfund Receivable	0	0	0	11,261	11,261
Intergovernmental Receivable	161,264	0	0	214,999	376,263
Materials and Supplies Inventory	975,579	0	0	0	975,579
Prepaid Items	232,262	0	0	0	232,262
Special Assessments Receivable	0	7,841,527	149,951	0	7,991,478
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	49,041	0	0	0	49,041
Total Assets	\$34,836,490	\$8,704,445	\$15,452,439	\$1,906,145	\$60,899,519
Liabilities					
Accounts Payable	\$613,164	\$0	\$25,544	\$2,367	\$641,075
Retainage Payable	0	0	430,705	17,935	448,640
Accrued Wages	316,092	0	0	0	316,092
Matured Compensated Absences	86,855	0	0	0	86,855
Intergovernmental Payable	327,843	0	200	0	328,043
Interfund Payable	11,261	0	0	0	11,261
Contracts Payable	0	0	144,471	0	144,471
Total Liabilities	1,355,215	0	600,920	20,302	1,976,437
Deferred Inflows of Resources					
Property Taxes	2,477,072	0	0	200,845	2,677,917
Unavailable Revenue	1,804,225	7,841,527	149,951	176,440	9,972,143
Total Deferred Inflows of Resources	4,281,297	7,841,527	149,951	377,285	12,650,060
Fund Balances					
Nonspendable	1,256,882	0	0	0	1,256,882
Restricted	0	862,918	0	1,508,558	2,371,476
Committed	209,021	0	691,523	0	900,544
Assigned	983,890	0	14,010,045	0	14,993,935
Unassigned	26,750,185	0	0	0	26,750,185
Total Fund Balances	29,199,978	862,918	14,701,568	1,508,558	46,273,022
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$34,836,490	\$8,704,445	\$15,452,439	\$1,906,145	\$60,899,519

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2016*

Total Governmental Fund Balances	\$46,273,022
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	89,988,159
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	480,803
Intergovernmental	275,299
Special Assessments	7,991,478
Municipal Income Taxes	<u>1,224,563</u>
Total	9,972,143
An internal service fund is used by management to charge the cost of workers compensation to individual funds/departments. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	1,374,697
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due.	(42,348)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	11,981,420
Deferred Inflows - Pension	(322,967)
Net Pension Liability	<u>(38,261,506)</u>
Total	(26,603,053)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Special Assessment Bonds	(6,446,580)
General Obligation Bonds	(10,948,316)
Compensated Absences	<u>(3,119,016)</u>
Total	<u>(20,513,912)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$100,448,708</u></u>

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, 2016

	General	Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,463,521	\$0	\$0	\$199,738	\$2,663,259
Municipal Income Taxes	33,039,556	0	0	0	33,039,556
Charges for Services	2,941,291	0	0	0	2,941,291
Fines, Licenses and Permits	1,392,375	0	0	18,072	1,410,447
Intergovernmental	396,678	0	0	577,051	973,729
Estate Taxes	12,140	0	0	0	12,140
Admission Taxes	326,335	0	0	0	326,335
Lodging Taxes	1,121,150	0	0	0	1,121,150
Franchise Taxes	141,353	0	0	0	141,353
Health Care Reimbursements	486,753	0	0	0	486,753
Special Assessments	0	663,254	27,493	10,916	701,663
Interest	275,889	0	0	7,846	283,735
Other	320,920	103,125	90,002	11,742	525,789
<i>Total Revenues</i>	<u>42,917,961</u>	<u>766,379</u>	<u>117,495</u>	<u>825,365</u>	<u>44,627,200</u>
Expenditures					
Current:					
General Government	4,762,339	0	0	3,682	4,766,021
Public Safety:					
Police	9,979,840	0	0	476,007	10,455,847
Fire	7,488,100	0	0	0	7,488,100
Public Services	9,747,047	0	0	188,041	9,935,088
Health and Welfare	596,923	0	0	0	596,923
Culture and Recreation	2,464,090	0	0	0	2,464,090
Building and					
Community Development	1,200,045	0	0	0	1,200,045
Capital Outlay	0	0	6,187,647	0	6,187,647
Debt Service:					
Principal Retirement	0	1,835,000	0	0	1,835,000
Interest and Fiscal Charges	0	620,792	0	0	620,792
<i>Total Expenditures</i>	<u>36,238,384</u>	<u>2,455,792</u>	<u>6,187,647</u>	<u>667,730</u>	<u>45,549,553</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>6,679,577</u>	<u>(1,689,413)</u>	<u>(6,070,152)</u>	<u>157,635</u>	<u>(922,353)</u>
Other Financing Sources (Uses)					
Transfers In	0	1,766,400	2,000,000	0	3,766,400
Transfers Out	(3,766,400)	0	0	0	(3,766,400)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,766,400)</u>	<u>1,766,400</u>	<u>2,000,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	2,913,177	76,987	(4,070,152)	157,635	(922,353)
<i>Fund Balances Beginning of Year</i>	<u>26,286,801</u>	<u>785,931</u>	<u>18,771,720</u>	<u>1,350,923</u>	<u>47,195,375</u>
<i>Fund Balances End of Year</i>	<u>\$29,199,978</u>	<u>\$862,918</u>	<u>\$14,701,568</u>	<u>\$1,508,558</u>	<u>\$46,273,022</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, 2016*

Net Change in Fund Balances - Total Governmental Funds (\$922,353)

*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 depreciation exceeded capital outlays in the current period.

Capital Asset Additions		
Capital Outlays	7,684,522	
Current Year Depreciation	(4,886,886)	
Total		2,797,636

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (746,881)

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

Delinquent Property Taxes	(284,485)	
Intergovernmental	1,890	
Special Assessments	(690,747)	
Municipal Income Taxes	(1,632,854)	
Total		(2,606,196)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,835,000

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	13,543	
Amortization of Premium	60,308	
Total		73,851

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. (19,493)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 2,954,492

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (5,517,951)

The internal service fund used by management to charge the costs of workers' compensation to individual departments is not reported in the entity wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (84,271)

Change in Net Position of Governmental Activities (\$2,236,166)

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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,617,793	\$2,617,793	\$2,463,521	(\$154,272)
Municipal Income Taxes	34,526,214	31,386,107	32,318,136	932,029
Charges for Services	3,011,100	3,011,100	2,927,410	(83,690)
Fines, Licenses and Permits	1,115,700	1,115,700	1,392,250	276,550
Intergovernmental	429,000	429,000	382,478	(46,522)
Estate Taxes	0	0	12,140	12,140
Admission Taxes	420,400	420,400	325,705	(94,695)
Lodging Taxes	935,300	935,300	1,114,289	178,989
Franchise Taxes	200,000	200,000	140,503	(59,497)
Health Care Reimbursements	516,800	516,800	486,753	(30,047)
Interest	219,700	219,700	351,081	131,381
Other	259,900	259,900	320,920	61,020
<i>Total Revenues</i>	<u>44,251,907</u>	<u>41,111,800</u>	<u>42,235,186</u>	<u>1,123,386</u>
Expenditures				
Current:				
General Government	5,720,444	5,812,444	4,959,633	852,811
Public Safety:				
Police	10,544,169	10,544,169	9,865,364	678,805
Fire	7,977,417	8,242,417	7,874,824	367,593
Public Services	11,078,374	11,103,374	10,366,479	736,895
Health and Welfare	747,555	747,555	611,908	135,647
Culture and Recreation	3,045,752	3,045,752	2,639,177	406,575
Building and Community Development	1,446,688	1,446,688	1,233,967	212,721
<i>Total Expenditures</i>	<u>40,560,399</u>	<u>40,942,399</u>	<u>37,551,352</u>	<u>3,391,047</u>
<i>Excess of Revenues Over Expenditures</i>	3,691,508	169,401	4,683,834	4,514,433
Other Financing Uses				
Transfers Out	(3,766,400)	(3,766,400)	(3,766,400)	0
<i>Net Change in Fund Balance</i>	(74,892)	(3,596,999)	917,434	4,514,433
<i>Fund Balance Beginning of Year</i>	19,480,077	19,480,077	19,480,077	0
Prior Year Encumbrances Appropriated	1,577,633	1,577,633	1,577,633	0
<i>Fund Balance End of Year</i>	<u>\$20,982,818</u>	<u>\$17,460,711</u>	<u>\$21,975,144</u>	<u>\$4,514,433</u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Fund Net Position
Proprietary Fund
December 31, 2016

	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,500,000
Liabilities	
Claims Payable	<u>125,303</u>
Net Position	
Unrestricted	<u><u>\$1,374,697</u></u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2016

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	\$97,156
Operating Expenses	
Claims	181,427
<i>Change in Net Position</i>	(84,271)
<i>Net Position Beginning of Year</i>	1,458,968
<i>Net Position End of Year</i>	\$1,374,697

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2016

	<u>Internal Service</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$97,156
Cash Payments for Claims	(97,156)
	<u>0</u>
<i>Increase in Cash and Cash Equivalents</i>	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,500,000</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,500,000</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(\$84,271)
Adjustments:	
Increase in Claims Payable	84,271
	<u>84,271</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$0</u>
See accompanying notes to the basic financial statements	

City of Beachwood, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,183	\$3,793,766
Liabilities		
Undistributed Monies	0	\$918
Deposits Held and Due to Others	0	3,792,848
<i>Total Liabilities</i>	0	\$3,793,766
Net Position		
Held in Trust for Recreation	\$1,183	

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Statement of Changes in Fund Net Position
Private Purpose Trust Fund
For the Year Ended December 31, 2016

	<u>Private Purpose Trust</u>
Additions	
Interest	\$9
Deductions	
	<u>0</u>
<i>Change in Net Position</i>	9
<i>Net Position Beginning of Year</i>	<u>1,174</u>
<i>Net Position End of Year</i>	<u><u>\$1,183</u></u>

See accompanying notes to the basic financial statements

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 three jointly governed organizations, the Northeast Ohio Public Energy Council, the Heights-Hillcrest Technical Rescue Team and the City of Beachwood, Ohio Energy Special Improvement District, Inc. These organizations are described in Note 7 of the Basic Financial Statements.

The City’s management believes these financial statements present all activities for which the City is financially accountable.

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 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 Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

“doubling up” revenues and expenses. 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 Position 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. The internal service fund is presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City’s funds are classified as either governmental, proprietary 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City’s major governmental funds:

General Fund The general fund accounts for and reports all financial resources except those required to be accounted for and reported 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 and report transfers from the general fund and the collection of special assessments levied against benefited properties restricted for the payment of special assessment and general obligation bond principal, interest and related costs.

Capital Improvements Fund The capital improvements fund accounts for and reports transfers from the general fund and special assessments assigned for the acquisition, construction or improvement of major capital facilities.

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

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have any enterprise funds.

Internal Service Fund Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for workers' compensation.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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 fund is a private purpose trust which accounts for donated monies to provide funds for the Beachwood Men's Softball League. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The agency funds account for construction deposits, commercial permit taxes paid to the State, payments in lieu of property taxes for the Eaton TIF agreement, 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary and 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 outflows/inflows of resources and in the presentation of expenses versus expenditures.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 3) 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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, special assessments, municipal income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Government Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 2016, investments were limited to U.S. treasury notes, federal farm credit bonds, federal home loan bank bonds, federal home loan mortgage bonds, federal national mortgage association bonds and STAR Ohio.

Investments, except STAR Ohio, are reported at fair market value, which is based on quoted market prices. STAR Ohio is reported at net asset value per share.

During 2016, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$275,889, which includes \$113,226 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, 2016, 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 held for consumption.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

I. 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.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution, as both are equally legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance or by State statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. 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 position 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 acquisition 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
Furniture and Equipment	7 - 10 years
Vehicles	3 - 25 years
Infrastructure	8 - 50 years

The City’s infrastructure consists of streets, water lines, sanitary sewers, storm sewers and I-Net Fiber and includes infrastructure acquired prior to December 31, 1980.

L. Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received and from short-term interfund loans are classified as “interfund receivables/payables.” Interfund balance amounts are eliminated in the statement of net position.

M. 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.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund(s) from which the employees who have resigned or retired will be paid.

N. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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.

O. Net Position

Net position represents the difference all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position 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 position are available.

P. Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. 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. Interfund payments for services provided and used are not eliminated.

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

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Q. 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.

R. 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 personal services and other object level within each fund. For the personal service object level the Finance Director has been authorized to allocate and maintain appropriations within each department. For the other object level, the Finance Director with the approval of the Mayor, has been authorized to allocate appropriations within each department and any object level other than personal services. Budgetary statements are presented beyond that legal level of control for information purposes only.

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

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

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 - Receivables

Receivables at December 31, 2016, consisted primarily of municipal income taxes, property, admissions, lodging, and franchise taxes, accounts, special assessments, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full. All receivables except property taxes and special assessments are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$7,255,392 in the Bond Retirement Fund and \$128,331 in the Capital Improvement Fund. At December 31, 2016 the amount of delinquent special assessments was \$1,359.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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. 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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and collected in 2017 real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$4.00 per 1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Real Property	\$746,153,960
Public Utility Property	<u>10,705,010</u>
Total Valuation	<u><u>\$756,858,970</u></u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Beachwood. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the general and police pension funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unearned revenue.

B. Municipal Income Taxes

The City levies a municipal income tax of 2.0 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:

Gasoline Tax	\$279,346
Homestead and Rollback	<u>96,917</u>
Total	<u><u>\$376,263</u></u>

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 4 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain 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 restricted, committed, or assigned fund balance (GAAP).
4. Investments reported at cost (budget) rather than fair value (GAAP).

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

Net Change in Fund Balance	
GAAP Basis	\$2,913,177
Net Adjustments for Revenue Accruals	(881,137)
Beginning Fair Value Adjustment for Investments	61,585
Ending Fair Value Adjustment for Investments	136,777
Net Adjustments for Expenditure Accruals	503,905
Encumbrances	<u>(1,816,873)</u>
Budget Basis	<u><u>\$917,434</u></u>

Note 5 – Interfund Transfers and Balances

A transfer of \$1,766,400 and \$2,000,000 was made during calendar year 2016 from the general fund to the bond retirement and capital projects funds. The transfer to the bond retirement was to move money for the payment of bonds and notes and the transfer to the capital projects fund was to move money for capital projects.

The interfund balance at December 31, 2016, consists of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$11,261. These funds should have been charged to special revenue funds but were incorrectly charged to the general fund resulting in a temporary interfund receivable/payable. The funds will be repaid in 2017.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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 100.8 hour pay period receive sick leave at a rate of 5.8 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 50 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.

Note 7 - Jointly Governed Organization

A. Northeast Ohio Public Energy Council

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of 194 communities who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 2016. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

B. Heights-Hillcrest Technical Rescue Team

The City is a member of the Heights-Hillcrest Technical Rescue Team (HHTRT). HHTRT is a council of Governments, with a governing body comprised of the Fire Chiefs of the member cities. The governing body exercises total control over the operations of the HHTRT including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the governing body. HHTRT was established to provide mutual aid for the provision of emergency fire protection and rescue squad services and to organize, train and equip a special rescue team to conduct rescue activities requiring unusual training and/or equipment in participating communities. Annual member receipts are based on an agreed formula based on the member cities population. During 2016, the City contributed \$6,090 to HHTRT. Financial information can be obtained by contacting Heights-Hillcrest Technical Rescue Team, 3400 Lee Road, Shaker Heights, Ohio, 44120.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

C. City of Beachwood, Ohio Energy Special Improvement District Inc.

The City of Beachwood, Ohio Energy Special Improvement District, Inc. (the “District”) is a jointly governed organization that is to enhance the value of properties within the District and improve the environment by developing and assisting in developing the District special energy improvement projects. The operation of the District is controlled by a general policy board which consists of two representatives from the City and three from the District’s members. Each member’s degree of control is limited to its representation on the board. For 2016, the City did not contribute to the District. For more information contact Sandra H. Noll, President, at SJL Management Group, 723 South Muller Road, Fairlawn, Ohio, 44333.

Note 8 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories:

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes 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. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if trading requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed 30 days.

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

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, \$4,943,609 of the City's bank balance of \$6,081,479 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.

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, 2016, the City had the following investments:

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Measurement/Investment	Measurement Value	Maturity		
		Less Than 6 Months	6-12 Months	1-5 Years
Net Asset Value Per Share				
STAR Ohio	\$4,014,415	\$4,014,415	\$0	\$0
Fair Value - Level Two Inputs				
U.S. Treasury Notes	25,950,956	7,003,848	7,001,681	11,945,427
Federal Farm Credit Bonds	976,427	0	0	976,427
Federal National Mortgage Association Bonds	3,958,360	0	0	3,958,360
Federal Home Loan Mortgage Bonds	1,971,615	0	0	1,971,615
Federal Home Loan Bank Bonds	1,991,309	0	998,082	993,227
Total Fair Value - Level Two Inputs	34,848,667	7,003,848	7,999,763	19,845,056
Total Investments	\$38,863,082	\$11,018,263	\$7,999,763	\$19,845,056

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2016. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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 STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The federal farm credit bonds, the federal national mortgage association bonds, the federal home loan mortgage bonds, and the federal home loan bank bonds 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 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 U.S. Treasury Notes, federal farm credit bonds, the federal national mortgage association bonds, the federal home loan mortgage bonds, and the federal home loan bank bonds represent 66.8, 2.5, 10.2, 5.1, and 5.1 percent of the City's total investments respectively.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 9 - Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2016.

B. Litigation

The City is a party to various legal proceedings seeking damages. 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 10 – Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$14,235,641	\$0	\$0	\$14,235,641
Construction in Progress	0	1,030,974	0	1,030,974
<i>Total Capital Assets, not being depreciated</i>	<u>14,235,641</u>	<u>1,030,974</u>	<u>0</u>	<u>15,266,615</u>
<i>Capital Assets, being depreciated</i>				
Land Improvements	7,830,943	0	0	7,830,943
Buildings and Improvements	45,936,130	10,826	0	45,946,956
Furniture and Equipment	6,171,156	218,999	(51,468)	6,338,687
Vehicles	9,243,142	683,569	(73,984)	9,852,727
Infrastructure				
Streets	65,923,349	4,959,890	(2,729,257)	68,153,982
Water Lines	4,580,453	0		4,580,453
Sanitary Sewers	2,519,136	0	0	2,519,136
Storm Sewers	2,199,224	0	0	2,199,224
I-Net Fiber	101,316	685,219	0	786,535
Traffic Signals	519,010	95,045	0	614,055
<i>Total Capital Assets, being depreciated</i>	<u>145,023,859</u>	<u>6,653,548</u>	<u>(2,854,709)</u>	<u>148,822,698</u>

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Less Accumulated Depreciation				
Land Improvements	(\$4,833,945)	(\$374,695)	\$0	(5,208,640)
Buildings and Improvements	(11,936,190)	(930,572)	0	(12,866,762)
Furniture and Equipment	(4,457,142)	(277,373)	42,241	(4,692,274)
Vehicles	(6,675,152)	(622,763)	68,819	(7,229,096)
Infrastructure				
Streets	(40,421,118)	(2,462,558)	1,996,768	(40,886,908)
Water Lines	(1,664,803)	(114,425)	0	(1,779,228)
Sanitary Sewers	(693,150)	(50,383)	0	(743,533)
Storm Sewers	(604,544)	(43,984)	0	(648,528)
I-Net Fiber	(8,105)	(2,027)	0	(10,132)
Traffic Signals	(27,947)	(8,106)	0	(36,053)
<i>Total Accumulated Depreciation</i>	<u>(71,322,096)</u>	<u>(4,886,886) *</u>	<u>2,107,828</u>	<u>(74,101,154)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>73,701,763</u>	<u>1,766,662</u>	<u>(746,881)</u>	<u>74,721,544</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$87,937,404</u>	<u>\$2,797,636</u>	<u>(\$746,881)</u>	<u>\$89,988,159</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$548,789
Public Safety:	
Police	160,453
Fire	402,141
Public Services	3,352,744
Health and Welfare	8,617
Culture and Recreation	409,158
Building and Community Development	4,984
Total Depreciation Expense	<u>\$4,886,886</u>

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Activities
Nonspendable:					
Prepays	\$232,262	\$0	\$0	\$0	\$232,262
Inventory	975,579	0	0	0	975,579
Unclaimed Funds	49,041	0	0	0	49,041
<i>Total Nonspendable</i>	<u>1,256,882</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,256,882</u>
Restricted for:					
Street Maintenance	0	0	0	953,275	953,275
Mayor's Court Computers	0	0	0	50,789	50,789
Drug and Alcohol Enforcement	0	0	0	378,525	378,525
Police Pension	0	0	0	26,417	26,417
Street Lighting	0	0	0	99,552	99,552
Bond Retirement	0	862,918	0	0	862,918
<i>Total Restricted</i>	<u>0</u>	<u>862,918</u>	<u>0</u>	<u>1,508,558</u>	<u>2,371,476</u>
Committed to:					
Capital Improvement	0	0	691,523	0	691,523
Purchases on Order for:					
General Government Service	13,303	0	0	0	13,303
Police	2,606	0	0	0	2,606
Fire	19,627	0	0	0	19,627
Service	143,208	0	0	0	143,208
Human Services	6,261	0	0	0	6,261
Recreation	24,016	0	0	0	24,016
<i>Total Committed</i>	<u>209,021</u>	<u>0</u>	<u>691,523</u>	<u>0</u>	<u>900,544</u>
Assigned to:					
Purchases on Order for:					
Capital Improvement	0	0	14,010,045	0	14,010,045
Legal Services	46,748	0	0	0	46,748
Utilities	210,489	0	0	0	210,489
Pension	261,787	0	0	0	261,787
Gasoline	114,952	0	0	0	114,952
Video Streaming Equipment	72,571	0	0	0	72,571
Other	277,343	0	0	0	277,343
<i>Total Assigned</i>	<u>983,890</u>	<u>0</u>	<u>14,010,045</u>	<u>0</u>	<u>14,993,935</u>
Unassigned	<u>26,750,185</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,750,185</u>
Total Fund Balances	<u>\$29,199,978</u>	<u>\$862,918</u>	<u>\$14,701,568</u>	<u>\$1,508,558</u>	<u>\$46,273,022</u>

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$1,166,271 for 2016. Of this amount, \$125,044 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,788,221 for 2016. Of this amount, \$191,931 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0753490%	0.3918830%	
Prior Measurement Date	<u>0.0731160%</u>	<u>0.3699959%</u>	
Change in Proportionate Share	<u>0.0022330%</u>	<u>0.0218871%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$13,051,398	\$25,210,108	\$38,261,506
Pension Expense	\$1,911,012	\$3,606,939	\$5,517,951

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$3,836,295	\$4,103,239	\$7,939,534
Changes in proportion and differences between City contributions and proportionate share of contributions	177,697	909,697	1,087,394
City contributions subsequent to the measurement date	<u>1,166,271</u>	<u>1,788,221</u>	<u>2,954,492</u>
Total Deferred Outflows of Resources	<u>\$5,180,263</u>	<u>\$6,801,157</u>	<u>\$11,981,420</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$252,178	\$70,789	\$322,967
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>\$252,178</u>	<u>\$70,789</u>	<u>\$322,967</u>

\$2,954,492 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Year Ending December 31:	OPERS	OP&F	Total
2017	\$921,025	\$1,242,135	\$2,163,160
2018	982,367	1,242,135	2,224,502
2019	990,266	1,242,135	2,232,401
2020	868,156	1,007,161	1,875,317
2021	0	175,279	175,279
Thereafter	0	33,302	33,302
Total	<u>\$3,761,814</u>	<u>\$4,942,147</u>	<u>\$8,703,961</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA:	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability	\$20,794,064	\$13,051,398	\$6,520,702

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015, are summarized below:

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	120.00 %		

Note: Assumptions are geometric.

* levered 2x

** Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$33,248,756	\$25,210,108	\$18,400,582

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 13 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$197,588, \$177,078, and \$181,039, respectively. For 2016, 98 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF for the years ended December 31, 2016, 2015, and 2014 were \$2,110,835, \$1,966,326, and \$1,811,890, respectively, of which \$308,276, \$286,112, and \$264,265, respectively, was allocated to the healthcare plan. For 2016, 98 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2015 and 2014.

Note 14 - 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 2016, the City contracted with Argonaut Insurance Company for various types of insurance as follows:

Type	Coverage
Blanket Coverage - All Property	\$106,464,683
General Liability	1,000,000
Automobile - Comprehensive	1,000,000
Law Enforcement Liability	1,000,000
Public Officials	1,000,000
Employee Dishonesty	1,000,000
Commercial Excess	10,000,000

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

The City is self-insured for worker's compensation coverage. The City is accounting for the worker's compensation self-insurance through the Self-Insurance Fund (an Internal Service Fund). For 2016, Sedgwick Claims Management Services was the City's third-party administrator. The retention point for excess insurance is \$450,000, which is through Midwest Employers. The insurance will cover the City for each incident that goes beyond \$450,000. The claims liability of \$125,303 reported in the fund as December 31, 2016, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claim liability amount for 2015 and 2016 were:

	Beginning of Year	Claims	Payments	End of Year
2015	\$53,826	\$49,868	\$62,662	\$41,032
2016	41,032	181,427	97,156	125,303

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 15 - Long-Term Obligations

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

	Outstanding 12/31/2015	Additions	(Reductions)	Outstanding 12/31/2016	Amounts Due In One Year
Special Assessment Bonds with Governmental Commitment					
\$5,315,000 2015 3.000% - 4.000%					
Eaton Boulevard Improvements	\$5,315,000	\$0	(\$150,000)	\$5,165,000	\$205,000
Premium on Eaton Boulevard Bonds	317,808	0	(16,228)	301,580	0
Total Eaton Boulevard Bonds	5,632,808	0	(166,228)	5,466,580	205,000
\$555,000 2000 5.400%					
Street and Sewer Improvements	205,000	0	(35,000)	170,000	40,000
\$2,330,000 2010 1.500% - 3.750%					
Various Improvements Bond Refunding	1,030,000	0	(220,000)	810,000	135,000
<i>Total Special Assessments Bonds</i>	6,867,808	0	(421,228)	6,446,580	380,000
General Obligation Bonds					
\$6,250,000 2012 1.500% - 3.750%					
Refunding Bonds	5,430,000	0	(540,000)	4,890,000	550,000
Premium on Refunding Bonds	213,541	0	(24,175)	189,366	0
Total Refunding Bonds	5,643,541	0	(564,175)	5,079,366	550,000
\$4,840,000 2010 1.500% - 3.750%					
Refunding Bonds	1,740,000	0	(245,000)	1,495,000	250,000
Premium on Refunding Bonds	42,122	0	(8,088)	34,034	0
Total Refunding Bonds	1,782,122	0	(253,088)	1,529,034	250,000
\$7,970,000 2010 1.500% - 3.750%					
Service Center Serial Bonds	4,915,000	0	(645,000)	4,270,000	660,000
Premium on Service Center Bonds	81,733	0	(11,817)	69,916	0
Total Service Center Bonds	4,996,733	0	(656,817)	4,339,916	660,000
<i>Total General Obligation Bonds</i>	12,422,396	0	(1,474,080)	10,948,316	1,460,000
Net Pension Liability					
OPERS	8,818,607	4,232,791	0	13,051,398	0
OP&F	19,167,330	6,042,778	0	25,210,108	0
<i>Total Net Pension Liability</i>	27,985,937	10,275,569	0	38,261,506	0
Compensated Absences	3,099,523	182,469	(162,976)	3,119,016	1,135,496
<i>Total General Long-term Obligations</i>	\$50,375,664	\$10,458,038	(\$2,058,284)	\$58,775,418	\$2,975,496

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

General obligation bonds will be paid from the bond retirement fund from transfers from the general fund. The special assessment bonds are backed by the full faith and credit of the City 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. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the general fund. For additional information related to the net pension liability see Note 12.

In 2010, the City issued \$12,810,000 in general obligation bonds for the purpose of purchasing and renovating the new Service Center and to refund a portion of various special assessment and general obligation issues in order to take advantage of lower interest rates. The bonds were sold at a premium of \$84,309. Proceeds of \$4,871,983 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$4,555,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the City's financial statements.

In 2012, the City issued \$6,250,000 in general obligation bonds for the purpose of refunding a portion of general obligation issues in order to take advantage of lower interest rates. The bonds were sold at a premium of \$290,092. Proceeds of \$6,427,284 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$5,770,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the City's financial statements.

In 2015, the City issued \$5,315,000 in special assessment bonds at interest rates varying from 3.00 percent to 4.00 percent. The bond issue included \$4,385,000 in serial bonds and \$930,000 in term bonds.

The term bonds maturing on December 1, 2033 are subject to mandatory sinking fund redemption prior to maturity at 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>
2030	\$300,000
2031	310,000
2032	320,000

The term bonds maturing on or after December 1, 2026 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, 2025, at 100 percent of par plus interest accrued to the redemption date.

The City's legal debt margin was \$69,678,110 at December 31, 2016. Principal and interest requirements to retire outstanding general obligation and special assessment bonds at December 31, 2016, are as follows:

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

General Obligation Bonds				
Year	Principal		Interest	
2017	\$1,460,000		\$300,175	
2018	1,500,000		259,787	
2019	1,540,000		222,775	
2020	1,605,000		179,975	
2021	1,645,000		133,025	
2022-2024	2,905,000		126,425	
Total	\$10,655,000		\$1,222,162	

Special Assessment Bonds				
Year	Current Serial Bonds		Current Term Bonds	
	Principal	Interest	Principal	Interest
2017	\$380,000	\$207,996	\$0	\$0
2018	390,000	196,142	0	0
2019	405,000	183,833	0	0
2020	415,000	170,252	0	0
2021	380,000	155,998	0	0
2022-2026	1,370,000	603,700	0	0
2027-2031	855,000	241,530	610,000	117,120
2032-2035	1,020,000	70,780	320,000	44,300
Total	\$5,215,000	\$1,830,231	\$930,000	\$161,420

Note 16 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Fund	Encumbrances at 12/31/2016
General	\$1,816,873
Capital Improvement	1,136,733
Other Governmental Funds	41,913
Total	\$2,995,519

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Contractual Commitments

At December 31, 2016, the various projects within the City had contractual commitments consisting of the following:

Project	Contract Amount	Amount Paid	Remaining on Contract
Chagrin Blvd	\$710,487	\$649,239	\$61,248
Richmond Road - South bound	2,456,752	2,191,249	265,503
Shaker Boulevard Project	1,147,738	1,032,962	114,776
Dispatch Architect	95,000	54,886	40,114
Fire Station #2 Architect	954,992	776,763	178,229
Total	<u>\$5,364,969</u>	<u>\$4,705,099</u>	<u>\$659,870</u>

The amounts remaining on these contracts were encumbered at year end.

Note 17 – Change in Accounting Principle and Restatement of Prior Year Net Position

Change in Accounting Principles

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 77, “Tax Abatement Disclosures,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City’s financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City’s financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

City of Beachwood, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Prior Year Net Position

During the year, it was determined that property taxes receivables were overstated at December 31, 2015. This restatement had the following effect on governmental net position as they were previously reported.

	Governmental Activites
Net Position, December 31, 2015	\$107,118,024
Property Taxes Receivable	(4,433,150)
Restated Net Position, December 31, 2015	<u>\$102,684,874</u>

(This page intentionally left blank.)

Required Supplementary Information

City of Beachwood, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1)

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0753490%	0.0731160%	0.0731160%
City's Proportionate Share of the Net Pension Liability	\$13,051,398	\$8,818,607	\$8,619,424
City's Covered Payroll	\$9,370,214	\$8,964,117	\$8,608,142
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	139.29%	98.38%	100.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

City of Beachwood, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Three Years (1)

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.3918830%	0.3699959%	0.3699959%
City's Proportionate Share of the Net Pension Liability	\$25,210,108	\$19,167,330	\$18,019,961
City's Covered Payroll	\$7,905,343	\$7,288,792	\$7,185,479
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.90%	262.97%	250.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

City of Beachwood, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,166,271	\$1,124,426	\$1,075,694	\$1,119,058
Contributions in Relation to the Contractually Required Contribution	<u>(1,166,271)</u>	<u>(1,124,426)</u>	<u>(1,075,694)</u>	<u>(1,119,058)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$9,718,925	\$9,370,214	\$8,964,117	\$8,608,142
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

City of Beachwood, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,788,221	\$1,680,214	\$1,548,409	\$1,299,075
Contributions in Relation to the Contractually Required Contribution	<u>(1,788,221)</u>	<u>(1,680,214)</u>	<u>(1,548,409)</u>	<u>(1,299,075)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$8,411,080	\$7,905,343	\$7,288,792	\$7,185,479
Contributions as a Percentage of Covered Payroll:	21.26%	21.25%	21.24%	18.08%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$1,083,438	\$1,070,060	\$1,062,866	\$1,042,087	\$969,826	\$953,217
<u>(1,083,438)</u>	<u>(1,070,060)</u>	<u>(1,062,866)</u>	<u>(1,042,087)</u>	<u>(969,826)</u>	<u>(953,217)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,242,762	\$7,140,421	\$7,119,171	\$6,990,295	\$6,496,745	\$6,392,173
14.96%	14.99%	14.93%	14.91%	14.93%	14.91%

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 and report the proceeds of specific revenue sources that are restricted or committed expenditures for specified purposes other than debt service or capital projects.

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

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

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

Law Enforcement Trust Fund - This fund accounts for and reports monies received from the sale or disposition of seized contraband restricted for drug and alcohol enforcement.

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

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

City of Beachwood, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	Street Construction, Maintenance and Repair	State Highway	Mayor's Court Improvement	Law Enforcement Trust
Assets				
Equity in Pooled Cash and Cash Equivalents	\$670,648	\$216,003	\$50,789	\$378,525
Property Taxes Receivable	0	0	0	0
Interfund Receivable	10,417	844	0	0
Intergovernmental Receivable	192,147	15,588	0	0
<i>Total Assets</i>	<u>\$873,212</u>	<u>\$232,435</u>	<u>\$50,789</u>	<u>\$378,525</u>
Liabilities				
Accounts Payable	\$1,321	\$0	\$0	\$0
Retainage Payable	17,935	0	0	0
<i>Total Liabilities</i>	<u>19,256</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources				
Property Taxes	0	0	0	0
Unavailable Revenue	123,124	9,992	0	0
<i>Total Deferred Inflows of Resources</i>	<u>123,124</u>	<u>9,992</u>	<u>0</u>	<u>0</u>
Fund Balances				
Restricted	730,832	222,443	50,789	378,525
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$873,212</u>	<u>\$232,435</u>	<u>\$50,789</u>	<u>\$378,525</u>

Police Pension	Street Lights	Total Nonmajor Governmental Funds
\$26,417	\$100,598	\$1,442,980
236,905	0	236,905
0	0	11,261
7,264	0	214,999
<u>\$270,586</u>	<u>\$100,598</u>	<u>\$1,906,145</u>
\$0	\$1,046	\$2,367
0	0	17,935
0	1,046	20,302
200,845	0	200,845
43,324	0	176,440
244,169	0	377,285
26,417	99,552	1,508,558
<u>\$270,586</u>	<u>\$100,598</u>	<u>\$1,906,145</u>

City of Beachwood, Ohio
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Street Construction, Maintenance and Repair	State Highway	Mayor's Court Improvement	Law Enforcement Trust
Revenues				
Property Taxes	\$0	\$0	\$0	\$0
Fines, Licenses and Permits	0	0	9,746	8,326
Intergovernmental	519,789	42,144	0	0
Special Assessments	0	0	0	0
Interest	4,216	1,390	0	2,240
Other	0	0	0	11,742
<i>Total Revenues</i>	<u>524,005</u>	<u>43,534</u>	<u>9,746</u>	<u>22,308</u>
Expenditures				
Current:				
General Government	0	0	3,682	0
Public Safety:				
Police	0	0	0	262,402
Public Services	188,041	0	0	0
<i>Total Expenditures</i>	<u>188,041</u>	<u>0</u>	<u>3,682</u>	<u>262,402</u>
<i>Net Change in Fund Balances</i>	335,964	43,534	6,064	(240,094)
<i>Fund Balances Beginning of Year</i>	<u>394,868</u>	<u>178,909</u>	<u>44,725</u>	<u>618,619</u>
<i>Fund Balances End of Year</i>	<u><u>\$730,832</u></u>	<u><u>\$222,443</u></u>	<u><u>\$50,789</u></u>	<u><u>\$378,525</u></u>

Police Pension	Street Lights	Total Nonmajor Governmental Funds
\$199,738	\$0	\$199,738
0	0	18,072
15,118	0	577,051
0	10,916	10,916
0	0	7,846
0	0	11,742
<u>214,856</u>	<u>10,916</u>	<u>825,365</u>
0	0	3,682
199,867	13,738	476,007
0	0	188,041
<u>199,867</u>	<u>13,738</u>	<u>667,730</u>
14,989	(2,822)	157,635
11,428	102,374	1,350,923
<u>\$26,417</u>	<u>\$99,552</u>	<u>\$1,508,558</u>

Combining Statement - Fiduciary Funds

Fiduciary Funds

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

Private Purpose Trust Fund

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

Agency Funds

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

Eaton Tax Increment Financing Fund – This fund accounts for the receipt and disbursement of monies related to the Eaton tax increment financing agreement.

City of Beachwood, Ohio
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2016

	Beginning Balance 12/31/15	Additions	Deductions	Ending Balance 12/31/16
Commercial Permits Tax				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$693	\$26,187	\$25,962	\$918
Liabilities				
Undistributed Monies	\$693	\$26,187	\$25,962	\$918
Special Trust and Agency				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$6,420,262	\$6,420,262	\$0
Liabilities				
Deposits Held and Due to Others	\$0	\$6,420,262	\$6,420,262	\$0
Deposits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$271,259	\$379,083	\$456,269	\$194,073
Liabilities				
Deposits Held and Due to Others	\$271,259	\$379,083	\$456,269	\$194,073
Eaton Tax Increment Financing				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,614,054	\$4,654,976	\$3,670,255	\$3,598,775
Liabilities				
Deposits Held and Due to Others	\$2,614,054	\$4,654,976	\$3,670,255	\$3,598,775
Omnova Tax Increment Financing				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$350,810	\$350,810	\$0
Liabilities				
Deposits Held and Due to Others	\$0	\$350,810	\$350,810	\$0
Total - All Agency Funds				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,886,006	\$11,831,318	\$10,923,558	\$3,793,766
Liabilities				
Undistributed Monies	\$693	\$26,187	\$25,962	\$918
Deposits Held and Due to Others	2,885,313	11,805,131	10,897,596	3,792,848
<i>Total Liabilities</i>	\$2,886,006	\$11,831,318	\$10,923,558	\$3,793,766

**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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,617,793	\$2,617,793	\$2,463,521	(\$154,272)
Municipal Income Taxes	34,526,214	31,386,107	32,318,136	932,029
Charges for Services	3,011,100	3,011,100	2,927,410	(83,690)
Fines, Licenses and Permits	1,115,700	1,115,700	1,392,250	276,550
Intergovernmental	429,000	429,000	382,478	(46,522)
Estate Taxes	0	0	12,140	12,140
Admission Taxes	420,400	420,400	325,705	(94,695)
Lodging Taxes	935,300	935,300	1,114,289	178,989
Franchise Taxes	200,000	200,000	140,503	(59,497)
Health Care Reimbursements	516,800	516,800	486,753	(30,047)
Interest	219,700	219,700	351,081	131,381
Other	259,900	259,900	320,920	61,020
<i>Total Revenues</i>	44,251,907	41,111,800	42,235,186	1,123,386
Expenditures				
Current:				
General Government:				
Council:				
Personal Services	127,594	127,594	126,924	670
Contractual Services	11,805	11,805	237	11,568
Materials and Supplies	1,480	1,480	730	750
Capital Outlay	2,000	74,000	72,571	1,429
Other	64,500	64,500	58,116	6,384
Total Council	207,379	279,379	258,578	20,801
Mayor:				
Personal Services	531,109	531,109	501,464	29,645
Contractual Services	114,291	114,291	107,626	6,665
Materials and Supplies	14,515	14,515	8,179	6,336
Capital Outlay	7,000	7,000	0	7,000
Other	29,129	29,129	9,091	20,038
Total Mayor	696,044	696,044	626,360	69,684
Economic Development:				
Personal Services	272,278	272,278	242,682	29,596
Contractual Services	117,417	117,417	108,865	8,552
Materials and Supplies	11,005	11,005	2,492	8,513
Capital Outlay	5,000	5,000	1,786	3,214
Other	337,137	357,137	239,451	117,686
Total Economic Development	\$742,837	\$762,837	\$595,276	\$167,561

(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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Finance Director:				
Personal Services	\$1,311,190	\$1,311,190	\$1,157,197	\$153,993
Contractual Services	1,162,965	1,162,965	1,120,843	42,122
Materials and Supplies	36,165	36,165	26,368	9,797
Capital Outlay	94,876	94,876	68,961	25,915
Other	636,264	636,264	432,739	203,525
Total Finance Director	3,241,460	3,241,460	2,806,108	435,352
Law Department:				
Personal Services	577,458	577,458	517,950	59,508
Contractual Services	191,373	191,373	116,978	74,395
Materials and Supplies	16,574	16,574	12,785	3,789
Capital Outlay	15,000	15,000	5,935	9,065
Other	32,319	32,319	19,663	12,656
Total Law Department	832,724	832,724	673,311	159,413
Total General Government	5,720,444	5,812,444	4,959,633	852,811
Public Safety:				
Police Department:				
Personal Services	9,053,883	9,053,883	8,765,721	288,162
Contractual Services	502,078	502,078	462,502	39,576
Materials and Supplies	139,214	139,214	90,773	48,441
Capital Outlay	712,966	712,966	419,397	293,569
Other	136,028	136,028	126,971	9,057
Total Police Department	10,544,169	10,544,169	9,865,364	678,805
Fire Department:				
Personal Services	6,996,381	7,261,381	7,070,005	191,376
Contractual Services	226,628	226,628	181,326	45,302
Materials and Supplies	157,953	157,953	109,230	48,723
Capital Outlay	467,307	447,307	398,866	48,441
Other	129,148	149,148	115,397	33,751
Total Fire Department	7,977,417	8,242,417	7,874,824	367,593
Total Public Safety	18,521,586	18,786,586	17,740,188	1,046,398
Public Services:				
Service Department:				
Personal Services	6,298,850	6,298,850	6,114,378	184,472
Contractual Services	1,849,009	1,699,009	1,410,449	288,560
Materials and Supplies	2,210,483	2,215,483	1,982,587	232,896
Capital Outlay	667,129	817,129	804,020	13,109
Other	52,903	72,903	55,045	17,858
Total Public Services	\$11,078,374	\$11,103,374	\$10,366,479	\$736,895

(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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and Welfare:				
Human Services Department:				
Personal Services	\$374,937	\$374,937	\$337,327	\$37,610
Contractual Services	208,776	208,776	190,572	18,204
Materials and Supplies	48,934	48,934	39,277	9,657
Capital Outlay	81,500	81,500	21,315	60,185
Other	33,408	33,408	23,417	9,991
Total Health and Welfare	747,555	747,555	611,908	135,647
Culture and Recreation				
Recreation Administration:				
Personal Services	815,831	815,831	778,451	37,380
Contractual Services	475,027	475,027	463,137	11,890
Materials and Supplies	69,203	69,203	54,894	14,309
Capital Outlay	18,830	18,830	16,318	2,512
Other	29,755	29,755	17,226	12,529
Total Recreation Administration	1,408,646	1,408,646	1,330,026	78,620
Recreation Camps:				
Personal Services	330,527	330,527	290,921	39,606
Contractual Services	156,776	156,776	142,067	14,709
Materials and Supplies	36,576	35,576	28,770	6,806
Other	3,100	4,100	4,065	35
Total Recreation Camps	526,979	526,979	465,823	61,156
Recreation Sports Programs:				
Personal Services	28,943	28,943	10,696	18,247
Contractual Services	52,504	52,504	38,824	13,680
Materials and Supplies	26,567	26,567	21,549	5,018
Capital Outlay	3,000	3,000	0	3,000
Other	3,500	3,500	3,016	484
Total Recreation Sports Programs	114,514	114,514	74,085	40,429
Recreation Other Programs:				
Personal Services	158,673	158,673	81,831	76,842
Contractual Services	99,738	99,738	83,490	16,248
Materials and Supplies	8,652	8,652	5,214	3,438
Other	5,316	5,316	4,750	566
Total Recreation Other Programs	\$272,379	\$272,379	\$175,285	\$97,094

(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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation Parks/Swimming Pools:				
Personal Services	\$281,200	\$281,200	\$257,883	\$23,317
Contractual Services	327,672	327,672	257,433	70,239
Materials and Supplies	91,305	91,305	62,748	28,557
Capital Outlay	19,241	19,241	13,694	5,547
Other	3,816	3,816	2,200	1,616
Total Recreation Parks/Swimming Pools	723,234	723,234	593,958	129,276
Total Culture and Recreation	3,045,752	3,045,752	2,639,177	406,575
Building and Community Development:				
Building Development:				
Personal Services	1,332,356	1,332,356	1,155,576	176,780
Contractual Services	64,249	64,249	48,536	15,713
Materials and Supplies	19,562	19,562	14,220	5,342
Capital Outlay	9,560	9,560	2,560	7,000
Other	20,961	20,961	13,075	7,886
Total Building and Community Development	1,446,688	1,446,688	1,233,967	212,721
<i>Total Expenditures</i>	40,560,399	40,942,399	37,551,352	3,391,047
<i>Excess of Revenues Over Expenditures</i>	3,691,508	169,401	4,683,834	4,514,433
Other Financing Uses				
Transfers Out	(3,766,400)	(3,766,400)	(3,766,400)	0
<i>Net Change in Fund Balance</i>	(74,892)	(3,596,999)	917,434	4,514,433
<i>Fund Balance Beginning of Year</i>	19,480,077	19,480,077	19,480,077	0
Prior Year Encumbrances Appropriated	1,577,633	1,577,633	1,577,633	0
<i>Fund Balance End of Year</i>	\$20,982,818	\$17,460,711	\$21,975,144	\$4,514,433

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, 2016

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Special Assessments	\$609,300	\$663,254	\$53,954
Other	0	103,125	103,125
<i>Total Revenues</i>	<u>609,300</u>	<u>766,379</u>	<u>157,079</u>
Expenditures			
Debt Service:			
Principal Retirement	2,070,000	1,835,000	235,000
Interest and Fiscal Charges	630,000	620,792	9,208
<i>Total Expenditures</i>	<u>2,700,000</u>	<u>2,455,792</u>	<u>244,208</u>
<i>Excess of Revenues Under Expenditures</i>	(2,090,700)	(1,689,413)	401,287
Other Financing Sources			
Transfers In	1,766,400	1,766,400	0
<i>Net Change in Fund Balance</i>	(324,300)	76,987	401,287
<i>Fund Balance Beginning of Year</i>	<u>785,931</u>	<u>785,931</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$461,631</u></u>	<u><u>\$862,918</u></u>	<u><u>\$401,287</u></u>

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, 2016

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Special Assessments	\$0	\$27,493	\$27,493
Other	0	90,002	90,002
<i>Total Revenues</i>	<u>0</u>	<u>117,495</u>	<u>117,495</u>
Expenditures			
Capital Outlay:			
Contractual Services	2,204,939	1,298,316	906,623
Capital Outlay	13,141,119	5,778,648	7,362,471
Other	30,000	974	29,026
<i>Total Expenditures</i>	<u>15,376,058</u>	<u>7,077,938</u>	<u>8,298,120</u>
<i>Excess of Revenues Under Expenditures</i>	(15,376,058)	(6,960,443)	8,415,615
Other Financing Sources			
Transfers In	<u>2,000,000</u>	<u>2,000,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(13,376,058)	(4,960,443)	8,415,615
<i>Fund Balance Beginning of Year</i>	16,070,139	16,070,139	0
Prior Year Encumbrances Appropriated	<u>3,056,058</u>	<u>3,056,058</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,750,139</u></u>	<u><u>\$14,165,754</u></u>	<u><u>\$8,415,615</u></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, 2016*

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Intergovernmental	\$423,000	\$500,951	\$77,951
Interest	2,000	4,216	2,216
<i>Total Revenues</i>	<u>425,000</u>	<u>505,167</u>	<u>80,167</u>
Expenditures			
Current:			
Public Services:			
Streets, Sidewalks, and Maintenance:			
Contractual Services	158,518	21,018	137,500
Capital Outlay	612,154	237,543	374,611
<i>Total Expenditures</i>	<u>770,672</u>	<u>258,561</u>	<u>512,111</u>
<i>Net Change in Fund Balance</i>	(345,672)	246,606	592,278
<i>Fund Balance Beginning of Year</i>	321,137	321,137	0
Prior Year Encumbrances Appropriated	<u>70,672</u>	<u>70,672</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$46,137</u></u>	<u><u>\$638,415</u></u>	<u><u>\$592,278</u></u>

City of Beachwood, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2016

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Intergovernmental	\$24,600	\$40,618	\$16,018
Interest	400	1,390	990
<i>Total Revenues</i>	<u>25,000</u>	<u>42,008</u>	<u>17,008</u>
Expenditures			
Current:			
Public Services:			
Streets, Sidewalks, and Maintenance:			
Contractual Services	10,000	0	10,000
Capital Outlay	165,000	0	165,000
<i>Total Expenditures</i>	<u>175,000</u>	<u>0</u>	<u>175,000</u>
<i>Net Change in Fund Balance</i>	(150,000)	42,008	192,008
<i>Fund Balance Beginning of Year</i>	<u>173,995</u>	<u>173,995</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$23,995</u></u>	<u><u>\$216,003</u></u>	<u><u>\$192,008</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, 2016*

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Fines, Licenses and Permits	\$9,000	\$9,746	\$746
Expenditures			
Current:			
General Government:			
Mayor:			
Contractual Services	1,000	0	1,000
Materials and Supplies	4,000	1,200	2,800
Capital Outlay	45,000	2,482	42,518
<i>Total Expenditures</i>	50,000	3,682	46,318
<i>Net Change in Fund Balance</i>	(41,000)	6,064	47,064
<i>Fund Balance Beginning of Year</i>	44,725	44,725	0
<i>Fund Balance End of Year</i>	\$3,725	\$50,789	\$47,064

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, 2016*

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Fines, Licenses and Permits	\$15,000	\$8,326	(\$6,674)
Interest	2,000	2,240	240
Other	0	11,742	11,742
<i>Total Revenues</i>	<u>17,000</u>	<u>22,308</u>	<u>5,308</u>
Expenditures			
Current:			
Public Safety:			
Police Department:			
Materials and Supplies	13,000	10,068	2,932
Capital Outlay	587,000	248,664	338,336
Other	15,000	11,302	3,698
<i>Total Expenditures</i>	<u>615,000</u>	<u>270,034</u>	<u>344,966</u>
<i>Net Change in Fund Balance</i>	(598,000)	(247,726)	350,274
<i>Fund Balance Beginning of Year</i>	<u>618,619</u>	<u>618,619</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$20,619</u></u>	<u><u>\$370,893</u></u>	<u><u>\$350,274</u></u>

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, 2016*

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Property Taxes	\$212,579	\$199,738	(\$12,841)
Intergovernmental	15,000	15,118	118
<i>Total Revenues</i>	227,579	214,856	(12,723)
Expenditures			
Current:			
Public Safety:			
Police Department:			
Personal Services	200,000	199,867	133
<i>Net Changes in Fund Balance</i>	27,579	14,989	(12,590)
<i>Fund Balance Beginning of Year</i>	11,428	11,428	0
<i>Fund Balance End of Year</i>	\$39,007	\$26,417	(\$12,590)

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, 2016*

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Special Assessments	\$8,700	\$10,916	\$2,216
Expenditures			
Current:			
Public Safety:			
Police:			
Contractual Services	17,431	15,919	1,512
<i>Net Change in Fund Balance</i>	(8,731)	(5,003)	3,728
<i>Fund Balance Beginning of Year</i>	102,322	102,322	0
Prior Year Encumbrances Appropriated	1,231	1,231	0
<i>Fund Balance End of Year</i>	\$94,822	\$98,550	\$3,728

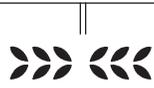
City of Beachwood, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Self Insurance Fund
For the Year Ended December 31, 2016

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Charges for Services	\$89,000	\$97,156	\$8,156
Expenses			
Claims	250,000	97,156	152,844
<i>Net Change in Fund Equity</i>	(161,000)	0	161,000
<i>Fund Equity Beginning of Year</i>	1,500,000	1,500,000	0
<i>Fund Equity End of Year</i>	<u>\$1,339,000</u>	<u>\$1,500,000</u>	<u>\$161,000</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, 2016

	Final Budget	Actual	Variance - Positive (Negative)
Revenues			
Interest	\$0	\$9	\$9
Expenses	0	0	0
<i>Net Change in Fund Equity</i>	0	9	9
<i>Fund Equity Beginning of Year</i>	1,174	1,174	0
<i>Fund Equity End of Year</i>	\$1,174	\$1,183	\$9

STATISTICAL SECTION



Statistical Section

This part of the City of Beachwood, Ohio’s Comprehensive Annual 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 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	S24-S29
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.

City of Beachwood, Ohio
Net Position by Component
Last Ten Years
(Accrual Basis of Accounting)

	<u>2016</u>	<u>2015 (1)</u>	<u>2014 (2)</u>	<u>2013</u>
Governmental Activities				
Net Investment in Capital Assets	\$72,371,648	\$68,776,471	\$68,483,072	\$69,178,482
Restricted	10,024,640	10,417,622	4,005,903	9,570,500
Unrestricted	<u>18,052,420</u>	<u>23,490,781</u>	<u>23,492,977</u>	<u>40,034,861</u>
<i>Total Governmental Activities</i>				
<i>Net Position</i>	<u>\$100,448,708</u>	<u>\$102,684,874</u>	<u>\$95,981,952</u>	<u>\$118,783,843</u>

(1) Reflects restated amount due to property taxes receivable overstatement.

(2) Reflects restated amount due to implementation of GASB 68.

2012	2011	2010	2009	2008	2007
\$69,977,360	\$67,950,971	\$63,035,089	\$71,402,619	\$72,898,821	\$66,483,124
4,405,108	4,752,490	4,887,268	6,235,047	6,676,611	8,360,297
37,588,939	35,358,483	33,534,624	30,286,504	32,938,913	35,314,249
<u>\$111,971,407</u>	<u>\$108,061,944</u>	<u>\$101,456,981</u>	<u>\$107,924,170</u>	<u>\$112,514,345</u>	<u>\$110,157,670</u>

City of Beachwood, Ohio
Changes in Net Position
Last Ten Years
(Accrual Basis of Accounting)

	2016	2015 (1)	2014	2013	2012
Program Revenues					
Governmental Activities:					
Charges for Services and Operating Assessments:					
General Government (4)	\$123,970	\$50,062	\$47,133	\$63,237	\$339,527
Public Safety					
Police	944,331	738,114	881,280	533,700	412,230
Fire	1,118,208	1,040,227	972,782	907,496	916,111
Health and Welfare	175,440	183,947	148,586	119,648	157,381
Culture and Recreation	886,806	877,917	877,132	876,424	864,037
Building and Community Development	1,113,899	836,062	864,594	2,095,827	877,811
Operating Grants and Contributions	580,804	561,164	567,487	648,516	695,557
Capital Grants and Assessments	0	7,040,066	0	719,852	0
<i>Total Governmental Activities</i>					
<i>Program Revenues</i>	4,943,458	11,327,559	4,358,994	5,964,700	4,262,654
Expenses					
Governmental Activities:					
General Government	5,259,319	5,473,129	6,123,993	4,950,386	5,383,560
Public Safety					
Police	11,441,604	8,822,787	8,845,911	8,602,587	8,513,081
Fire	8,427,825	7,586,492	7,332,233	6,862,847	6,609,326
Public Services	13,799,108	12,630,671	13,373,133	12,271,829	11,927,501
Health and Welfare	624,340	582,497	576,967	513,481	583,900
Culture and Recreation	2,919,961	2,807,443	2,726,458	2,801,539	2,828,722
Building and Community Development	1,238,072	1,126,129	1,123,734	1,067,749	959,081
Interest and Fiscal Charges	546,941	458,314	785,182	823,376	746,738
<i>Total Governmental Activities Expenses</i>	44,257,170	39,487,462	40,887,611	37,893,794	37,551,909
<i>Total Primary Government Net Expense</i>	(39,313,712)	(28,159,903)	(36,528,617)	(31,929,094)	(33,289,255)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property and Other Local Taxes Levied For:					
General Purposes	2,200,373	427,661	3,081,419	2,936,550	2,674,494
Police Pension	178,401	36,662	253,704	241,277	216,427
Municipal Income Taxes Levied					
For General Purposes	31,406,702	31,413,201	29,394,461	29,892,959	28,447,634
Admission, Lodging, and Franchise Taxes (3)	1,588,838	1,535,722	1,433,399	1,323,455	1,336,222
Estate Taxes (4)	12,140	34,935	1,762,024	2,580,934	3,115,899
Grants and Entitlements not Restricted to					
Specific Programs	399,031	407,038	436,170	385,209	496,054
Investment Earnings	279,519	148,034	169,279	174,277	145,983
Health Care Reimbursements (2)	486,753	455,050	573,207	530,652	479,070
Gain on Sale of Capital Assets	0	0	0	0	0
Other	525,789	404,522	638,345	676,217	286,935
<i>Total Governmental Activities</i>	37,077,546	34,862,825	37,742,008	38,741,530	37,198,718
<i>Total Primary Government</i>					
<i>Change in Net Position</i>	(\$2,236,166)	\$6,702,922	\$1,213,391	\$6,812,436	\$3,909,463

(1) Reflects restated amount due to overstatement of property taxes receivable. Due to a Ohio Board of Tax Appeals ruling, the Cleveland Clinic received property tax exemption status. The Cleveland Clinic and University Hospitals were both included in 2015 delinquent property taxes and should not have been. The significantly lower property tax amount in 2015 reflects the removal of these entities from delinquent property taxes.

(2) Starting in 2012, the City required employees to contribute towards health care premiums.

(3) 2008 was the first year that franchise, lodging, admission and estate taxes were broken out.

(4) The increase in general government charges for services is due to rental income the City started receiving in 2009.

In December, 2008, the City purchased a building that had tenants in it. During the course of 2009, several tenants left the building. As of December 31, 2012, all the tenants were out of the building.

2011	2010	2009	2008	2007
\$380,073	\$602,562	\$658,618	\$281,149	\$75,862
335,925	399,182	314,298	112,680	377,134
890,715	837,207	777,082	732,496	689,301
151,147	132,167	131,533	177,335	0
888,741	862,658	836,987	780,475	886,887
1,755,022	653,884	732,246	1,034,730	740,961
807,577	610,933	597,827	545,007	516,739
1,250,000	0	0	0	1,213,633
<u>6,459,200</u>	<u>4,098,593</u>	<u>4,048,591</u>	<u>3,663,872</u>	<u>4,500,517</u>
4,533,871	4,987,961	4,875,105	4,447,184	4,362,750
8,038,163	7,756,727	7,920,359	7,546,514	7,410,128
5,955,042	6,155,855	5,982,995	5,606,352	5,273,184
10,348,729	11,749,819	10,531,157	10,634,883	9,630,170
549,513	587,883	539,326	637,802	557,151
2,608,014	2,663,673	2,813,885	2,715,802	2,564,886
968,373	919,717	979,295	959,136	839,848
925,241	758,681	785,037	788,112	836,927
<u>33,926,946</u>	<u>35,580,316</u>	<u>34,427,159</u>	<u>33,335,785</u>	<u>31,475,044</u>
<u>(27,467,746)</u>	<u>(31,481,723)</u>	<u>(30,378,568)</u>	<u>(29,671,913)</u>	<u>(26,974,527)</u>
2,563,866	2,677,944	2,829,210	2,715,452	3,859,866
209,099	198,870	257,116	164,358	224,698
25,680,596	17,577,324	18,401,803	20,499,143	20,258,412
1,264,247	1,132,370	843,488	1,075,743	n/a
3,107,091	2,008,052	2,643,793	4,593,353	n/a
670,301	672,345	112,837	837,516	2,744,132
235,120	518,573	486,690	1,879,351	2,102,503
0	0	0	0	0
0	0	0	7,508	0
342,389	229,056	213,456	256,164	176,172
<u>34,072,709</u>	<u>25,014,534</u>	<u>25,788,393</u>	<u>32,028,588</u>	<u>29,365,783</u>
<u>\$6,604,963</u>	<u>(\$6,467,189)</u>	<u>(\$4,590,175)</u>	<u>\$2,356,675</u>	<u>\$2,391,256</u>

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

	2016	2015	2014	2013
General Fund				
Nonspendable	\$1,256,882	\$1,257,388	\$1,197,983	\$1,081,452
Restricted	0	0	0	0
Committed	209,021	348,655	390,694	261,150
Assigned	983,890	948,993	1,266,580	1,572,707
Unassigned	26,750,185	23,731,765	22,513,741	28,648,180
Reserved	N/A	N/A	N/A	N/A
Unreserved	N/A	N/A	N/A	N/A
<i>Total General Fund</i>	<u>29,199,978</u>	<u>26,286,801</u>	<u>25,368,998</u>	<u>31,563,489</u>
All Other Governmental Funds				
Restricted	2,371,476	2,136,854	1,847,522	1,776,045
Committed	691,523	2,612,281	194,360	25,657
Assigned	14,010,045	16,159,439	13,142,368	5,596,712
Unassigned (Deficit)	0	0	0	0
Reserved	N/A	N/A	N/A	N/A
Undesignated, Reported in:				
Special Revenue Funds	N/A	N/A	N/A	N/A
Debt Service Fund	N/A	N/A	N/A	N/A
Capital Projects Fund	N/A	N/A	N/A	N/A
<i>Total All Other Governmental Funds</i>	<u>17,073,044</u>	<u>20,908,574</u>	<u>15,184,250</u>	<u>7,398,414</u>
<i>Total Governmental Funds</i>	<u><u>\$46,273,022</u></u>	<u><u>\$47,195,375</u></u>	<u><u>\$40,553,248</u></u>	<u><u>\$38,961,903</u></u>

Note: The City implemented GASB 54 in 2010.

2012	2011	2010	2009	2008	2007
\$1,057,697	\$991,572	\$806,724	\$886,564	N/A	N/A
0	0	4,493	13,504	N/A	N/A
233,569	1,045,377	985,486	18,286	N/A	N/A
1,195,872	1,302,093	936,551	1,432,489	N/A	N/A
26,374,028	20,560,840	15,477,145	19,147,388	N/A	N/A
N/A	N/A	N/A	N/A	\$1,201,553	\$1,357,644
N/A	N/A	N/A	N/A	25,397,007	25,095,256
28,861,166	23,899,882	18,210,399	21,498,231	26,598,560	26,452,900
1,438,347	1,602,649	1,471,463	4,561,898	N/A	N/A
385,869	1,278,616	2,821,695	142,401	N/A	N/A
507,438	2,481,856	5,131,599	5,771,923	N/A	N/A
0	(133,555)	0	0	N/A	N/A
N/A	N/A	N/A	N/A	345,633	897,851
N/A	N/A	N/A	N/A	848,257	1,508,792
N/A	N/A	N/A	N/A	522,545	540,880
N/A	N/A	N/A	N/A	5,827,360	8,202,838
2,331,654	5,229,566	9,424,757	10,476,222	7,543,795	11,150,361
\$31,192,820	\$29,129,448	\$27,635,156	\$31,974,453	\$34,142,355	\$37,603,261

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

	2016	2015	2014	2013	2012
Revenues					
Property and Other Taxes	\$2,663,259	\$2,527,134	\$2,738,844	\$2,569,556	\$2,569,986
Municipal Income Taxes	33,039,556	30,538,900	29,169,007	29,578,663	28,162,508
Charges for Services	2,941,291	2,599,402	2,344,939	2,218,880	2,109,663
Fines, Licenses, and Permits	1,410,447	1,117,554	1,436,960	2,367,813	1,145,214
Intergovernmental	973,729	966,119	1,004,968	1,057,115	1,210,255
Estate Taxes (1)	12,140	34,935	1,812,554	2,757,334	3,045,450
Admission Taxes (1)	326,335	331,403	337,476	352,854	399,449
Lodging Taxes (1)	1,121,150	1,059,815	977,506	843,102	805,323
Franchise Taxes (1)	141,353	144,504	118,417	127,499	131,450
Rentals (2)	0	0	0	0	302,336
Health Care Reimbursements (3)	486,753	455,050	573,207	530,652	479,070
Special Assessments	701,663	466,165	531,205	467,562	456,852
Interest	283,735	150,277	172,286	177,324	149,040
Other	525,789	404,522	638,345	676,217	286,935
Total Revenues	44,627,200	40,795,780	41,855,714	43,724,571	41,253,531
Expenditures					
Current:					
General Government	4,766,021	4,983,494	5,008,868	4,494,993	4,711,020
Public Safety					
Police	10,455,847	8,765,233	8,740,855	8,556,641	8,247,989
Fire	7,488,100	7,093,500	6,994,656	6,620,419	7,164,341
Public Services	9,935,088	9,717,072	10,844,374	8,700,525	9,033,212
Health and Welfare	596,923	578,049	624,272	507,654	578,073
Culture and Recreation	2,464,090	2,464,934	2,319,497	2,414,088	2,428,076
Building and Community Development	1,200,045	1,110,528	1,108,407	1,063,829	946,654
Capital Outlay	6,187,647	2,807,187	2,305,856	1,291,946	3,769,159
Debt Service:					
Principal Retirement	1,835,000	1,785,000	1,800,000	1,750,000	1,710,000
Interest and Fiscal Charges	620,792	488,226	517,584	555,393	601,636
Bond Issuance Costs	0	0	0	0	112,808
Total Expenditures	45,549,553	39,793,223	40,264,369	35,955,488	39,302,968
Excess of Revenues Over (Under) Expenditures	(922,353)	1,002,557	1,591,345	7,769,083	1,950,563
Other Financing Sources (Uses)					
Payment to Refunded Bond Escrow Account	0	0	0	0	(6,427,283)
Premium on Bonds	0	324,570	0	0	290,092
General Obligation Bonds Issued	0	0	0	0	6,250,000
Special Assessment Bonds Issued	0	5,315,000	0	0	0
Transfers In	3,766,400	4,766,400	11,810,604	7,805,204	2,650,000
Transfers Out	(3,766,400)	(4,766,400)	(11,810,604)	(7,805,204)	(2,650,000)
Total Other Financing Sources (Uses)	0	5,639,570	0	0	112,809
Net Change in Fund Balances	(\$922,353)	\$6,642,127	\$1,591,345	\$7,769,083	\$2,063,372
Debt Service as a Percentage of					
Noncapital Expenditures	6.49%	6.28%	6.37%	6.74%	6.83%

(1) Starting in 2008, Admission, Lodging and Franchise Taxes were broken out of Property Taxes and Estate Taxes were broken out from Intergovernmental revenues.

(2) Starting in 2009, the City collected rental income from two tenants at the Commerce Park building. In 2010, the City also received rental income from the Beachwood Business Development Center. All renters were out of the building by the end of 2012.

(3) Starting in 2012, the City required employees to contribute towards health care premiums.

2011	2010	2009	2008	2007
\$2,471,516	\$2,763,319	\$2,895,836	\$2,792,537	\$3,952,150
25,227,131	17,821,568	18,325,854	20,440,036	20,277,253
1,994,018	2,051,510	1,856,303	1,782,627	1,643,737
2,018,317	1,027,705	995,331	1,324,213	1,113,312
2,709,877	1,269,519	1,240,557	939,868	3,532,681
3,201,902	1,969,753	2,430,800	4,593,353	n/a
414,334	342,934	130,552	143,979	n/a
729,988	677,536	607,839	809,102	n/a
119,925	111,900	105,097	122,662	n/a
358,037	395,509	585,813	n/a	n/a
n/a	n/a	n/a	n/a	n/a
463,637	814,873	887,830	1,025,493	1,060,132
238,581	527,591	506,963	1,879,351	2,102,503
342,389	229,056	213,456	256,164	176,172
<u>40,289,652</u>	<u>30,002,773</u>	<u>30,782,231</u>	<u>36,109,385</u>	<u>33,857,940</u>
3,989,615	4,398,424	4,257,790	4,017,322	3,879,282
7,774,404	7,726,739	7,820,112	7,807,378	7,202,251
6,671,619	6,244,404	5,879,094	5,648,187	5,113,246
8,598,504	8,067,990	7,776,652	8,122,295	7,456,227
560,421	583,933	535,376	624,426	547,248
2,203,271	2,254,874	2,401,030	2,301,474	2,154,243
965,898	907,177	964,252	960,151	893,314
5,678,719	8,630,423	1,261,144	8,036,268	3,581,446
1,565,000	1,290,000	1,255,000	1,250,000	1,200,000
787,909	729,137	799,683	802,790	851,150
0	173,098	0	0	0
<u>38,795,360</u>	<u>41,006,199</u>	<u>32,950,133</u>	<u>39,570,291</u>	<u>32,878,407</u>
<u>1,494,292</u>	<u>(11,003,426)</u>	<u>(2,167,902)</u>	<u>(3,460,906)</u>	<u>979,533</u>
0	(4,871,983)	0	0	0
0	226,112	0	0	0
0	12,810,000	0	0	0
0	0	0	0	0
1,841,363	1,037,923	5,107,562	5,036,263	1,044,988
<u>(1,841,363)</u>	<u>(2,537,923)</u>	<u>(5,107,562)</u>	<u>(5,036,263)</u>	<u>(1,044,988)</u>
0	6,664,129	0	0	0
<u>\$1,494,292</u>	<u>(\$4,339,297)</u>	<u>(\$2,167,902)</u>	<u>(\$3,460,906)</u>	<u>\$979,533</u>
7.79%	6.28%	8.52%	6.68%	8.54%

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

Tax Year	Tax Rate (1)	Total Tax Collected (2)	Taxes From Withholding	Percentage of Taxes From Withholding	Taxes From Net Profits
2016	2.00%	\$31,406,702	\$25,439,429	81.00%	\$3,580,364
2015	2.00	31,413,201	25,036,321	79.70	4,177,956
2014	2.00	29,394,461	24,221,036	82.40	3,027,629
2013	2.00	29,892,959	23,884,474	79.90	4,065,442
2012	2.00	28,447,634	22,729,660	79.90	3,698,192
2011	2.00	25,680,596	21,494,659	83.70	2,619,421
2010	1.50	17,577,324	14,940,725	85.00	1,581,959
2009	1.50	18,401,803	14,905,460	81.00	2,208,216
2008	1.50	20,499,143	16,255,820	79.30	2,254,906
2007	1.50	20,258,412	16,684,828	82.36	2,301,356

(1) The City's basic income tax rate may only be increased by a majority vote of the City's residents. In November 2010, the voters approved an increase to 2.0%, effective January 1, 2011.

(2) Total tax collected is on a full accrual basis.

Percentage of Taxes From Net Profits	Taxes From Individuals	Percentage of Taxes From Individuals
11.40%	\$2,386,909	7.60%
13.30	2,198,924	7.00
10.30	2,145,796	7.30
13.60	1,943,042	6.50
13.00	2,019,782	7.10
10.20	1,566,516	6.10
9.00	1,054,639	6.00
12.00	1,288,126	7.00
11.00	1,988,417	9.70
11.36	1,272,228	6.28

City of Beachwood, Ohio
Income Tax Statistics
 2015 (1) and Nine Years Ago

2015				
Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
\$0-\$24,999	1,108	27.02%	\$10,064,049	1.87%
\$25,000-\$49,999	568	13.85	20,791,984	3.87
\$50,000-\$74,999	496	12.10	30,449,182	5.67
\$75,000-\$99,999	376	9.17	32,567,559	6.06
Over \$100,000	1,552	37.86	443,441,856	82.53
Total	<u>4,100</u>		<u>\$537,314,630</u>	

2007				
Income Range	Number of Filers	Percent of Filers	Taxable Income	Percent of Taxable Income
\$0-\$24,999	1,263	33.83%	\$10,263,004	2.86%
\$25,000-\$49,999	587	15.72	21,559,322	6.02
\$50,000-\$74,999	430	11.52	26,812,840	7.48
\$75,000-\$99,999	324	8.68	28,083,345	7.84
Over \$100,000	1,129	30.25	271,701,078	75.80
Total	<u>3,733</u>		<u>\$358,419,589</u>	

(1) 2015 is the latest information available.

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

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

2016	
Taxpayer	Ranking
Cleveland Clinic Foundation	1
* Eaton Corporation	2
Developers Diversified	3
Menorah Park Center	4
Aleris Ohio Management	5
Tremco Incorporated	6
BASF, Corporation	7
* University Hospitals	8
PCC Airfoils	9
Beachwood City School District	10

2007	
Taxpayer	Ranking
Bank of America	1
Menorah Park Center	2
Cleveland Clinic Foundation	3
Montefiore Home	4
Beachwood City School District	5
Nordstroms	6
Developers Diversified	7
Termco Incorporated	8
Brulant Incorporated	9
BASF, Corporation	10

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

* These companies are located in our JEDD area. For purposes of this table, we based their ranking on 50% of their total withholding as the City maintains 50% of all income taxes received from companies in the JEDD.

Source: Regional Income Tax Agency

City of Beachwood, Ohio

Legal Debt Margin

Last Ten Years

	2016	2015	2014	2013
Total Assessed Property Value	<u>\$756,858,970</u>	<u>\$813,853,540</u>	<u>\$806,226,910</u>	<u>\$797,823,180</u>
General Bonded Debt Outstanding:				
General Obligation Bonds	\$10,655,000	\$12,085,000	\$13,470,000	\$14,885,000
Bond Anticipation Notes	0	0	5,200,000	5,200,000
Special Assessment Bonds	<u>6,145,000</u>	<u>6,550,000</u>	<u>1,635,000</u>	<u>2,020,000</u>
Total Gross Indebtedness	16,800,000	18,635,000	20,305,000	22,105,000
Less:				
Special Assessment Bonds	(6,145,000)	(6,550,000)	(1,635,000)	(2,020,000)
Debt Service Fund Balance	<u>(862,918)</u>	<u>(785,931)</u>	<u>(438,574)</u>	<u>(397,600)</u>
Total Net Debt Applicable to Debt Limit	<u>9,792,082</u>	<u>11,299,069</u>	<u>18,231,426</u>	<u>19,687,400</u>
Overall Legal Debt Limit (10 1/2% of Assessed Valuation)	<u>79,470,192</u>	<u>85,454,622</u>	<u>84,653,826</u>	<u>83,771,434</u>
Legal Debt Margin within 10 1/2% Limitation	<u>\$69,678,110</u>	<u>\$74,155,553</u>	<u>\$66,422,400</u>	<u>\$64,084,034</u>
Legal Debt Margin as a Percentage of the Debt Limit	87.68%	86.78%	78.46%	76.50%
Unvoted Debt Limitation 5 1/2% of Assessed Valuation	<u>\$41,627,243</u>	<u>\$44,761,945</u>	<u>\$44,342,480</u>	<u>\$43,880,275</u>
Total Gross Indebtedness	16,800,000	18,635,000	20,305,000	22,105,000
Less:				
Special Assessment Bonds	(6,145,000)	(6,550,000)	(1,635,000)	(2,020,000)
Debt Service Fund Balance	<u>(862,918)</u>	<u>(785,931)</u>	<u>(438,574)</u>	<u>(397,600)</u>
Net Debt within 5 1/2% Limitation	<u>9,792,082</u>	<u>11,299,069</u>	<u>18,231,426</u>	<u>19,687,400</u>
Unvoted Legal Debt Margin within 5 1/2% Limitation	<u>\$31,835,161</u>	<u>\$33,462,876</u>	<u>\$26,111,054</u>	<u>\$24,192,875</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	76.48%	74.76%	58.88%	55.13%

Source: City Financial Records

2012	2011	2010	2009	2008	2007
<u>\$796,838,720</u>	<u>\$789,545,600</u>	<u>\$764,670,350</u>	<u>\$746,489,090</u>	<u>\$771,255,529</u>	<u>\$788,302,216</u>
\$16,265,000	\$17,130,000	\$18,350,000	\$10,750,000	\$11,300,000	\$11,830,000
5,200,000	6,000,000	6,000,000	3,000,000	3,000,000	0
<u>2,390,000</u>	<u>2,755,000</u>	<u>3,100,000</u>	<u>3,735,000</u>	<u>4,440,000</u>	<u>5,160,000</u>
23,855,000	25,885,000	27,450,000	17,485,000	18,740,000	16,990,000
(2,390,000)	(2,755,000)	(3,100,000)	(3,735,000)	(4,440,000)	(5,160,000)
<u>(423,590)</u>	<u>(583,425)</u>	<u>(619,113)</u>	<u>(521,467)</u>	<u>(522,545)</u>	<u>(540,880)</u>
<u>21,041,410</u>	<u>22,546,575</u>	<u>23,730,887</u>	<u>13,228,533</u>	<u>13,777,455</u>	<u>11,289,120</u>
<u>83,668,066</u>	<u>82,902,288</u>	<u>80,290,387</u>	<u>78,381,354</u>	<u>80,981,831</u>	<u>82,771,733</u>
<u>\$62,626,656</u>	<u>\$60,355,713</u>	<u>\$56,559,500</u>	<u>\$65,152,821</u>	<u>\$67,204,376</u>	<u>\$71,482,613</u>
74.85%	72.80%	70.44%	83.12%	82.99%	86.36%
<u>\$43,826,130</u>	<u>\$43,425,008</u>	<u>\$42,056,869</u>	<u>\$41,056,900</u>	<u>\$42,419,054</u>	<u>\$43,356,622</u>
23,855,000	25,885,000	27,450,000	17,485,000	18,740,000	16,990,000
(2,390,000)	(2,755,000)	(3,100,000)	(3,735,000)	(4,440,000)	(5,160,000)
<u>(423,590)</u>	<u>(583,425)</u>	<u>(619,113)</u>	<u>(521,467)</u>	<u>(522,545)</u>	<u>(540,880)</u>
<u>21,041,410</u>	<u>22,546,575</u>	<u>23,730,887</u>	<u>13,228,533</u>	<u>13,777,455</u>	<u>11,289,120</u>
<u>\$22,784,720</u>	<u>\$20,878,433</u>	<u>\$18,325,982</u>	<u>\$27,828,367</u>	<u>\$28,641,599</u>	<u>\$32,067,502</u>
51.99%	48.08%	43.57%	67.78%	67.52%	73.96%

City of Beachwood, Ohio
Computation of Direct and Overlapping Governmental Activities Debt
December 31, 2016

	Governmental Activities Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Beachwood
Direct - City of Beachwood, Ohio			
General Obligation Bonds	\$10,948,316	100.00%	\$10,948,316
Special Assessment Bonds	6,446,580	100.00%	6,446,580
<i>Total Direct</i>	<u>17,394,896</u>		<u>17,394,896</u>
Overlapping			
Beachwood City Schools			
General Obligation Bonds	30,766,271	100.00%	30,766,271
Notes Payable	7,326,855	100.00%	7,326,855
Capital Leases	116,906	100.00%	116,906
Cuyahoga County			
General Obligation Bonds	242,795,758	2.74%	6,652,604
Revenue Bonds	597,515,568	2.74%	16,371,927
Certificates of Participation	256,864,058	2.74%	7,038,075
Loans Payable	2,404,204	2.74%	65,875
Capital Leases	378,556,966	2.74%	10,372,461
Regional Transit Authority	139,107,969	2.74%	3,811,558
<i>Total Overlapping</i>	<u>1,655,454,555</u>		<u>82,522,532</u>
<i>Totals</i>	<u><u>\$1,672,849,451</u></u>		<u><u>\$99,917,428</u></u>

Source: Cuyahoga County, Ohio; Fiscal Officer

(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.

(This page intentionally left blank.)

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 (2)
2016	\$10,948,316	\$756,858,970	1.45%	\$916
2015	12,422,396	813,853,540	1.53	1,039
2014	13,851,686	806,226,910	1.72	1,159
2013	15,310,976	797,823,180	1.92	1,281
2012	16,735,266	796,838,720	2.10	1,400
2011	17,459,539	789,545,600	2.21	1,461
2010	18,427,896	764,670,350	2.41	1,542
2009	10,894,484	746,489,090	1.46	894
2008	11,454,116	771,255,529	1.49	940
2007	11,993,748	788,302,216	1.52	984

(1) Although the general obligation bond retirement fund is restricted for debt service, it is not specifically restricted to the payment of principal. Therefore, these resources are not shown as a deduction from general obligation bonded debt.

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

Other Governmental
Activities Debt

Special Assessment Bonds	Total Debt	Percentage of Personal Income (2)	Per Capita (2)
\$6,446,580	\$17,394,896	3.03%	\$1,455
6,867,808	19,290,204	3.36	1,614
1,635,000	15,486,686	2.70	1,296
2,020,000	17,330,976	3.02	1,450
2,390,000	19,125,266	3.33	1,600
2,755,000	20,214,539	3.52	1,691
3,100,000	21,527,896	3.75	1,801
3,735,000	14,629,484	2.96	1,201
4,440,000	15,894,116	3.22	1,304
5,160,000	17,153,748	3.47	1,408

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)
2016	11,953	\$573,863,530	\$48,010	\$71,932	52.5
2015	11,953	573,863,530	48,010	71,932	52.5
2014	11,953	573,863,530	48,010	71,932	52.5
2013	11,953	573,863,530	48,010	71,932	52.5
2012	11,953	573,863,530	48,010	71,932	52.5
2011	11,953	573,863,530	48,010	71,932	52.5
2010	11,953	573,863,530	48,010	65,406	51.6
2009	12,186	493,642,674	40,509	65,406	51.6
2008	12,186	493,642,674	40,509	65,406	51.6
2007	12,186	493,642,674	40,509	65,406	51.6

- (1) Source: 2010 and 2000 U.S. 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
(5) Source: Cuyahoga County Fiscal Officer

School Enrollment (2)	Educational Attainment: Bachelor's Degree or Higher (1)	Cuyahoga County Unemployment Rate (4)	Average Sales Price of Residential Property (5)	Total Assessed Property Value
1,498	55.6%	5.4%	\$282,364	\$756,858,970
1,435	55.6	5.0	277,514	813,853,540
1,414	55.6	6.4	269,365	806,226,910
1,497	55.6	7.2	274,896	797,823,180
1,536	55.6	7.1	252,595	796,838,720
1,552	55.6	8.0	231,819	789,545,600
1,524	50.9	8.6	281,328	764,670,350
1,598	50.9	9.2	276,796	746,489,090
1,571	50.9	7.1	269,676	771,255,529
1,545	50.9	6.1	290,728	788,302,216

City of Beachwood, Ohio
Principal Employers
Current Year and Nine Years Ago

2016		
Employer	Employees	Percentage of Total
Cleveland Clinic Foundation	2,886	11.00%
University Hospitals	1,936	7.38
Menorah Park Center	1,197	4.56
Eaton Corporation	853	3.25
Beachwood City School District	555	2.12
City of Beachwood	503	1.92
Lifetime Fitness Club	474	1.81
Montefiore Home	463	1.77
Developers Diversified	453	1.73
Jewish Family Services	394	1.50
Total	<u>9,714</u>	<u>37.04%</u>
Total Employment within the City	<u>26,225</u>	

2007		
Employer	Employees	Percentage of Total
Bank of America	2,427	12.62%
Menorah Park Center	1,025	5.33
Cleveland Clinic Foundation	767	3.99
Nordstrom	715	3.72
City of Beachwood	472	2.45
Montefiore Home	471	2.45
Beachwood City School District	446	2.32
Developers Diversified	390	2.03
Tremco Incorporated	329	1.71
Brulant	228	1.19
Total	<u>7,270</u>	<u>37.81%</u>
Total Employment within the City	<u>19,231</u>	

Source: Estimates from the Regional Income Tax Agency based on the number of W-2's filed for the year.

(This page intentionally left blank.)

City of Beachwood, Ohio
Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	2016	2015	2014	2013
General Government				
Square Footage Occupied	70,786	70,786	70,786	70,786
Vehicles	2	2	2	2
Police				
Stations	1	1	1	1
Square Footage of Building	72,254	72,254	72,254	72,254
Vehicles	33	33	34	35
Fire Station				
Stations	2	2	2	2
Square Footage of Fire Station #1	21,970	21,970	21,970	21,970
Square Footage of Fire Station #2	5,472	5,472	5,472	5,472
Vehicles	16	15	15	14
Public Service				
Streets (miles)	46	46	46	46
Vehicles	68	63	60	56
Square Footage of Building (1)	198,000	198,000	198,000	198,000
Health and Welfare				
Vehicles	5	4	4	3
Culture and Recreation				
Number of Parks	2	2	2	2
Number of Pools	1	1	1	1
Vehicles	1	1	1	2
Square Footage of Community Center	14,000	14,000	14,000	14,000
Building and Community Development				
Vehicles	6	6	6	6

(1) In 2011, the Service department moved into the building at 23350 Commerce Park.

Source: City Hall records

2012	2011	2010	2009	2008	2007
70,786 2	70,786 2	70,786 2	70,786 2	70,786 2	70,786 2
1 72,254 35	1 72,254 35	1 72,254 35	1 72,254 35	1 72,254 35	1 72,254 33
2 21,970 5,472 14	2 21,970 5,472 13	2 21,970 5,472 13	2 21,970 5,472 12	2 21,970 5,472 12	2 21,970 5,472 11
46 56 198,000	46 54 198,000	46 54 41,285	46 54 41,285	46 56 41,285	46 56 41,285
3	3	2	2	3	3
2 1 2 14,000	2 1 2 14,000	2 1 2 14,000	2 1 2 14,000	2 1 2 14,000	2 1 2 14,000
6	6	6	6	7	8

City of Beachwood, Ohio
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2016	2015	2014	2013
General Government				
Number of Ordinances and Resolutions	168	187	152	167
Number of non-payroll checks processed	4,326	4,234	4,280	4,137
Number of purchase orders issued	4,233	4,363	4,445	4,143
Public Safety				
Police				
Total arrests	745	733	N/A	1,037
Drug arrests	34	7	N/A	34
OVI arrests (formally DUI)	107	102	97	61
Warrants served	301	248	322	116
Fire				
Total EMS and Fire responses	5,262	4,980	4,609	4,593
Total Fire responses	985	957	907	1,351
Total EMS responses	4,277	4,023	3,702	3,242
Routine fire safety inspections	657	1,385	1,525	1,137
Re-inspections	306	611	830	930
New construction inspections	150	151	151	359
Public Services				
Tons of rubbish picked up	3,297	3,416	3,310	3,296
Tons of leaves collected for recycling	409	405	2,835	2,640
Number of trees planted	428	469	145	204
Number of catch basins cleaned and repaired	439	495	545	527
Tons of cold patch used	199	20	20	19
Yards of concrete poured and finished	1,275	530	1,152	514
Tons of salt purchased	7,345	10,532	16,457	8,262
Health and Welfare				
Number of senior trips planned	74	75	71	69
Culture and Recreation				
Total attendance at Aquatic Center	48,482	49,401	44,031	45,049
Building and Community Development				
Number of permits issued	419	454	375	329

N/A - Data not available

Source: City records

2012	2011	2010	2009	2008	2007
202	180	176	160	186	183
4,417	4,299	4,269	4,693	5,321	4,937
4,290	4,060	4,077	4,496	4,787	4,253
723	496	729	650	631	666
18	20	20	25	14	16
42	65	55	67	71	73
147	138	119	140	153	154
4,514	4,589	4,209	4,087	4,038	3,832
1,365	1,445	1,189	1,138	1,068	1,132
3,149	3,144	3,020	2,949	2,970	2,700
1,248	1,582	1,031	1,105	1,403	1,169
1,045	1,232	707	860	942	581
310	220	232	145	203	207
3,189	3,488	3,714	3,933	4,208	4,946
2,600	2,670	2,670	3,195	3,564	3,447
236	146	327	270	201	329
461	431	324	443	374	373
23	52	17	37	55	40
1,381	678	740	450	507	565
3,908	13,659	10,363	7,178	12,712	11,229
71	51	57	66	64	53
49,504	48,000	55,757	53,262	54,001	58,588
334	309	189	167	210	292

City of Beachwood, Ohio
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Years

	2016 (2)	2015	2014	2013
General Government				
Council	7.0	7.0	7.0	7.0
Mayor's Office	3.0	3.0	3.0	3.0
Economic Development (1)	2.0	2.0	2.0	2.0
Finance	9.0	11.0	11.0	11.0
Law	2.5	4.5	4.5	2.5
Public Safety				
Police Administration	3.0	3.0	3.0	3.0
Police Officers	40.0	43.0	40.0	43.0
Dispatchers	14.0	15.0	13.0	15.0
Police - Correction Officers	9.0	10.0	9.0	9.5
Police - Crossing Guards	6.5	6.5	6.5	6.5
Fire Administration	6.0	6.0	6.5	6.5
Fire Fighters	40.0	42.0	42.0	39.0
Public Service	59.5	57.5	55.0	55.0
Culture and Recreation				
Human Services	5.5	5.0	5.5	5.5
Recreation Administration	8.0	8.0	8.0	8.0
Recreation Camps	47.0	48.5	50.5	50.0
Recreation Sports	7.0	6.5	8.5	8.5
Recreation Other	10.0	10.5	9.5	9.5
Pool and Parks	30.5	31.5	32.5	36.5
Building and Community Development				
Building Department	9.5	10.5	10.5	10.5
Total	319.0	331.0	327.5	331.5

Source: City of Beachwood records

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) The Economic Development Department was created in 2010. In 2011, there were no employees as the City was restructuring the department. By the end of 2012, there was one full-time position and one part-time position. In 2013, there were two full-time positions.

(2) The decrease in total employees is mostly due to nine full-time vacancies as of December 31, 2016. The City expects to fill these vacancies in 2017.

2012	2011	2010	2009	2008	2007
7.0	7.0	7.0	7.0	7.0	7.0
3.0	3.0	3.0	3.0	3.0	5.0
1.5	0.0	2.0	0.0	0.0	0.0
11.5	12.5	12.5	15.0	12.0	10.0
2.5	2.5	2.5	3.0	3.0	3.0
3.0	3.0	3.0	3.0	3.0	4.0
39.0	42.0	41.0	43.0	42.0	42.0
15.0	12.0	11.0	12.0	12.0	12.0
9.0	9.0	9.0	9.0	8.0	8.5
6.5	6.5	7.0	7.0	7.0	7.0
6.5	5.5	5.0	5.0	5.0	4.5
38.0	36.0	38.0	42.0	39.0	39.0
59.5	56.5	53.5	56.5	57.0	60.5
5.5	5.0	6.0	6.0	6.0	6.0
8.0	6.5	7.5	7.0	7.0	7.0
45.0	46.0	44.5	37.0	38.0	33.0
10.0	10.5	14.0	14.0	14.0	14.0
9.5	10.5	8.5	15.0	15.0	17.0
37.0	38.0	39.0	41.0	40.0	41.0
9.5	9.0	11.0	11.0	11.0	11.0
326.5	321.0	325.0	336.5	329.0	331.5

(This page intentionally left blank.)