

City of Bedford Heights, Ohio

Comprehensive Annual Financial Report

December 31, 2005



**Auditor of State
Betty Montgomery**

Honorable Mayor, Finance Director and Members of Council
City of Bedford Heights
5661 Perkins Road
Bedford Heights, Ohio 44146

We have reviewed the *Independent Auditor's Report* of the City of Bedford Heights, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Bedford Heights is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 3, 2006

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City of Bedford Heights, Ohio

Comprehensive Annual Financial Report For The Year Ended December 31, 2005

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The City of Bedford Heights



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MAYOR DEBORA A. MALLIN

MARK A. CEGELKA
DIRECTOR OF FINANCE / TAX ADMINISTRATOR

June 22, 2006

Honorable Citizens of Bedford Heights
and Members of City Council
Bedford Heights, Ohio

Transmittal of the Comprehensive Annual Financial Report

The City of Bedford Heights, Ohio (City) is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2005. The CAFR is a more extensive report than the basic financial statements and it is believed that it demonstrates the City's ongoing commitment to be accountable not only to its citizenry but also to excellence in financial reporting. While no single report can be all things to all people, the goal in presenting this report is to provide any person or entity interested in the City with information needed to gain a fair understanding of the City's financial position, results of operations and cash flows.

The State of Ohio requires that all cities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America. The City issues this Comprehensive Annual Financial Report for the year ended December 31, 2005 therefore.

Management assumes responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The financial statements of the City have been audited by James G. Zupka, CPA, Inc. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the results of the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended December 31, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of the CAFR.

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. MD&A complement this Letter of Transmittal and should be read in conjunction with it.

Profile of the City

The City of Bedford Heights, Ohio is located in the eastern portion of Cuyahoga County, approximately 14 miles southeast of downtown Cleveland. According to the most recent data from the United States Census Bureau, the City's 2005 population was 11,375.

Bedford Heights is a home rule municipal corporation operating under the laws of the State of Ohio. Bedford Heights was incorporated as a Village in 1951, and became a City in 1960. The City Charter was adopted and became effective on January 1, 1960, and can be amended only by a majority vote. In matters where the charter is silent or in conflict with the state constitution, the laws of the State of Ohio prevail.

Bedford Heights operates under and is governed by the laws of the State of Ohio and the City Charter, which provides for a mayor-council form of government. Legislative authority is vested in a seven-member council. The Council consists of three council members elected at large and four council members elected from wards. Council members are elected for a four-year term. Each member of Council has a right to vote. The Council fixes compensation of the City officials and employees, and enacts ordinances and resolutions relating to City services, tax levies, appropriations and indebtedness, licensing of regulated businesses and trades, and other municipal purposes.

The Mayor, designated by the charter as the chief executive and administrative officer of the City, is elected to serve a four-year term. The Mayor has the power to appoint, promote, discipline, transfer, reduce or remove any employee of the City. The Mayor may veto any legislation passed by Council. A veto may be overridden by a vote of five or more members of council.

Economic Conditions

Local Economy

The City of Bedford Heights is a mature suburban community located approximately fourteen miles southeast of the City of Cleveland. The City is a second ring suburban community that experienced a build-out between the 1970 and 1990 period. This boom period was driven mainly as a result of the community's excellent location along the I-271, I-490, and U.S. 422 corridors. Bedford Heights has immediate freeway access to all of these interstates and the commercial and industrial development that happened during the twenty year period has left the City with the fifth largest industrial/commercial property valuation in the suburban Cuyahoga County.

As a result of the twenty-year development, several important industrial clusters have developed within the City's industrial area along Miles, Richmond, Fargo and Aurora Roads. These clusters include automobile parts manufacturing (including die casting), machine parts and fasteners, steel fabricating/distribution, paint manufacturing, commercial and residential construction supplies/services, food manufacturing, and wholesale food distribution operations.

In 2005, the City's economic conditions have slowed along with the regional economies of N.E. Ohio. Sales for the steel distribution cluster consisting of Olympic Steel, Majestic Steel USA, and EMJ Steel have increased to higher levels comparable to fiscal year 2004.

As previously reported, the SYSCO Food Services of Cleveland Facility on Aurora Road closed in August of 2004. The Company announced its plans to leave in FY 2003 and relocate to a site in the City of Cleveland. This was a direct result of the lack of a single fifty-five acre vacant site in the City of Bedford Heights.

Overall, the City's withholding tax payments are dominated by the larger manufacturing operations identified above.

The City's only hotel, the Red Roof Inn (a 168 room full service hotel located off I-271 and Rockside Road) continues to struggle. The local lodging industry (in Greater Cleveland) still suffers from low occupancy rates currently estimated to be around 54-55 percent. The decreased demand for rooms at the Red Roof was also a result of reduced attendance at the Six Flags/Geauga Lake Amusement Park in Aurora. Further, 200 new hotel rooms being added at the Chagrin Highlands in Aurora came in FY 2004 and are expected to further effect occupancy at the Red Roof Inn. Because of these factors, the facility's previous owners defaulted on their financing and the hotel is now under foreclosure proceedings. During the interim period, the receiver has hired a hotel management company and they have made many improvements to the property. In 2006, a new owner purchased the hotel and a major hotel chain is expected to occupy the building.

Metaldyne Industries closed their automotive die casting plant in November 2004 causing the loss of 100 jobs. Weyerhaeuser notified the City that it was closing their Aurora Road plant in June 2006 causing 100 jobs to be lost or relocated. State Farm closed their regional claims office in 2006 and moved approximately \$70,000 in payroll taxes to Warrensville Heights. Despite the above announcements, the City's local income tax revenues increased by approximately 7% due to the higher net profit taxes paid by several companies. The withholding component of the local income tax decreased by \$200,000 from 2004 largely due to the economy and plant and office/warehouse closings.

Long-Term Financial Planning

The City's leaders continue to use the City's Master Plan as a guide for redeveloping two important areas of the City. The first was formerly known as the "City Center Area" but is now call the "Gateway Triangle". This area consists of the triangle formed by Rockside and Aurora Roads. At that time the Owners of Trinity Towers Apartment complex completed a large scale remodeling project of the 499 unit complex. Since that time the City has secured over \$450,000 in grant funds to build streetscape improvements along both thoroughfares. Further, aggressive city code enforcement caused Carrols Corporation to make a major re-investment in their Burger King restaurant. Also, Marathon Oil razed their Speedway Gas Station and constructed a new gasoline station convenience store combination. The store's brick walls were designed to match the new streetscape design and blend into the commercial area.

In fiscal year 2005, the City will add over \$200,000 in streetscape improvements along Aurora Road to the I-271 overpass. The work will stimulate approximately \$10,000 in private investment on the frontage of a major mobile home park. Two vacant non-conforming buildings will also be razed on Aurora Road with hopes of stimulating a new commercial use.

Another focus identified in the City's Master Plan is development of vacant commercial property at the southern portion of the City. This property was rezoned to a light industrial classification in FY 2001. The City is currently pursuing a new small industrial park on an eighteen acre parcel off of Solon Road. Approximately three potential companies have been identified and have interest in building on site.

Although not identified in the Master Plan, the City is also working with the owner of a vacant thirty-five acre parcel along Miles Road. The City's Department of Economic & Community Development is working with the property owners and is optimistic that it can pursue alternate sources of funding to help develop the site for new commercial/industrial users.

Lastly, the State Issue Two project to reconstruct Northfield Road (a partnership between the Cities of Maple Heights and Bedford Heights) was finally completed in 2005. Some of the Bedford Heights retail vacancies along this corridor have been attributed to last years' waterline replacement and the upcoming roadway construction. However the new reality of "Big Box" retail and other changes in retailing may make it difficult for small retailers to compete along Northfield Road in the future.

Major Initiatives

Current year – In 2005, the City had applied for and has received notice of numerous law enforcement grants for the police and corrections departments. A complete listing of the grants received for the police and fire and corrections departments can be obtained from the annual reports compiled by the Police and Fire Chiefs.

The City continues to implement revenue-generating fees to offset increased operating costs. In 1994, the City implemented a fee for ambulance service. This fee is projected to generate approximately \$180,000 annually and is designated for use within a Special Revenue Fund, specifically for capital improvements (equipment) in the Police and Fire Departments.

The City has implemented a rate structure that has increased residential and commercial sewer rates by \$6-\$9/MCF over three years with the bulk of the increase in 2006. The new rate structure is expected to generate the following estimated increases over three years: 2006 – \$300,000; 2007 – \$125,000 over 2006; 2008 – \$125,000 over 2007. Additionally, the City has agreements with neighboring communities to promote the utilization of the City sewage treatment facility for new developments and growth areas that are contiguous with the City. This plan would, of course, provide a larger customer base for the City's sewerage treatment facility. Finally, the City has become active in the treatment of nonhazardous ground water on a contract basis.

Future years – The City plans on spending over \$600,000 in 2006 on road resurfacing and construction projects that are planned for various streets throughout the City.

In November 2004, the City passed a renewal 2-mill, 10-year Street Improvement Levy. This levy will generate approximately \$600,000 annually over the remaining ten years. The proceeds of the levy are dedicated to street improvements. This renewal funding will allow the City to aggressively maintain the quality of street improvements for the next ten years.

The City's Charter allows for millage to be set at 13 mills per tax collection year. For the 2001 and 2002 tax collection years, the millage was levied at 12 mills. In the 2004 and 2003 tax collection years, the City levied the additional 1.0 mills of authorized millage. This millage generated \$300,000 in fiscal 2003 and approximately \$320,000 in 2004 and 2005. The estimated Fund Balance in the Contingency Fund the City established for the 2006 budget will be approximately \$1,785,000 at the end of 2006.

The City completed construction of the 2nd floor to the Correction Facility in May of 2004. The City received a grant from the U.S. Department of Justice in the amount of \$1,530,000 to offset the cost of the \$2,000,000 additions. The City contracts with Federal, County and local agencies to house prisoners.

The estimated net amount of revenue generated from the Correction Facility will assist the City in offsetting some of the loss of income tax revenue due to Sysco Foods and Metaldyne leaving.

The City has an outstanding note in the amount of \$400,000 from the construction of the addition on the 2nd floor. The City reduced the note to approximately \$225,000 in 2005 and to \$175,000 in 2006. The City plans to pay the remaining balance in the 2008 budget cycle.

Awards and Acknowledgements

Certificate of Achievement

For the fifteenth time, the Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004. In order to be awarded a Certificate of Achievement, the City

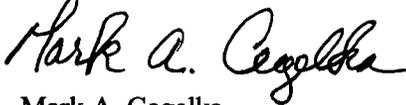
published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The 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.

Acknowledgements

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, and the employees of the accounting firm of Ciuni & Panichi, Inc., which contributed significantly to the preparation of this report. Sincere appreciation to Allison Chance, Assistant Director of Finance and the firm of James G. Zupka, CPA, Inc. who worked diligently in completion of the audit. Finally, the City Administration wants to extend its appreciation to the Mayor and City Council for their support and commitment to responsible fiscal reporting.

Respectfully submitted,



Mark A. Cegelka
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bedford Heights,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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



Carla E. Perry

President

Jeffrey R. Emer

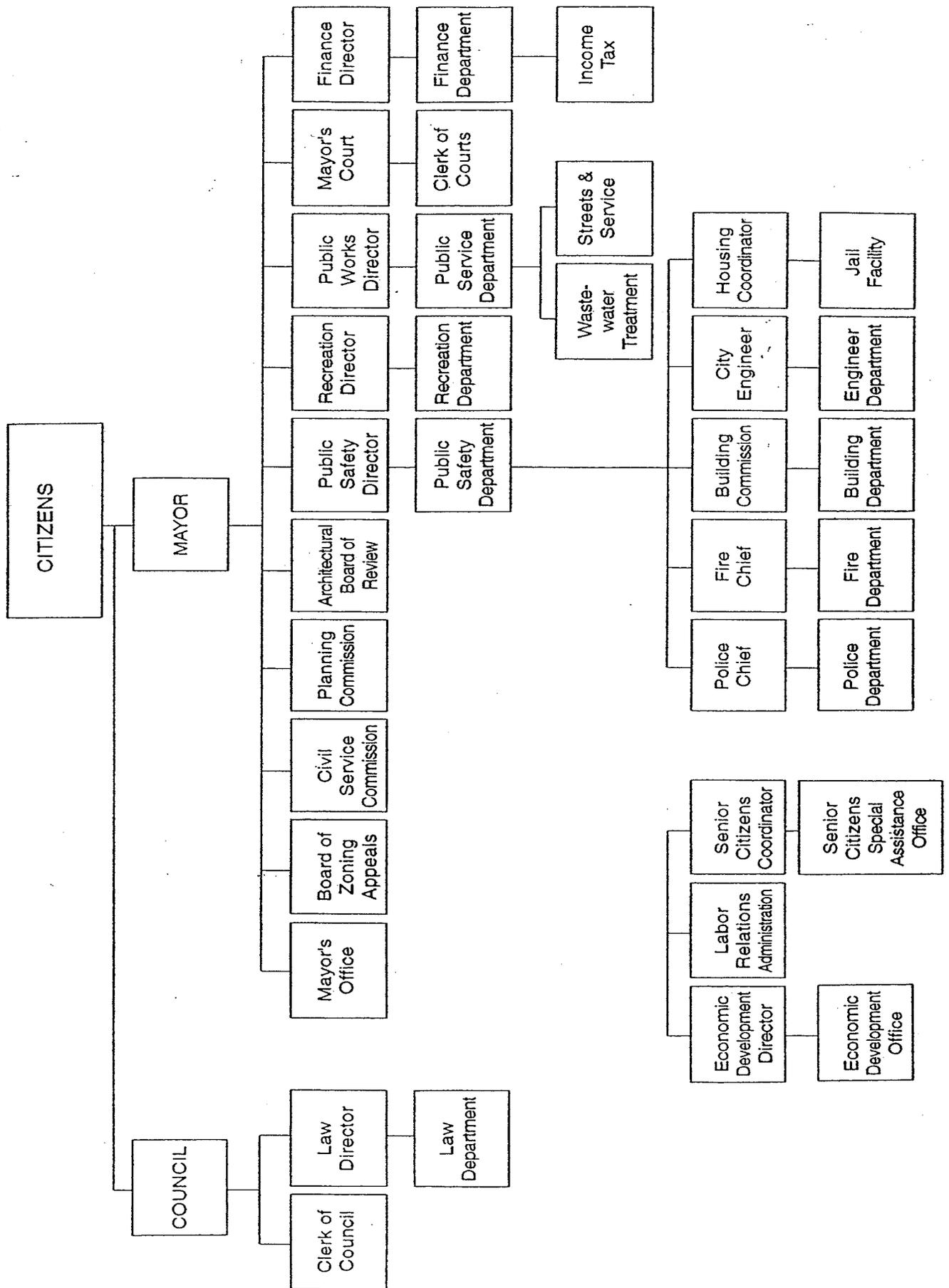
Executive Director

City of Bedford Heights, Ohio

List of Principal Officials

December 31, 2005

| <u>TITLE</u> | <u>NAME</u> |
|---|------------------------|
| Mayor/Director of Public Safety | Debora Mallin |
| Council Member – President-At-Large | Phillip D. Saunders |
| Council Member – At-Large | Fletcher Berger |
| Council Member – At-Large | Wendolyn Grant |
| Council Member – Ward 1 | Barbara MacKenzie |
| Council Member – Ward 2 | Harvey Brown |
| Council Member – Ward 3 | Alton Tinker |
| Council Member – Ward 4 | Karen Gilliam |
| Clerk of Council | Patricia Stahl |
| Director of Law | Katharine Lang Bettaso |
| Director of Finance/Tax Administrator | Mark A. Cegelka |
| Director of Public Service | Nick Baucco |
| Director of Water Reclamation | Dave Pocaro |
| Police Chief | Timothy Kalavsky |
| Corrections Administrator | Cmdr. William Schultz |
| Fire Chief | Ken Ledford |
| Director of Community Life | Evelyn Matthews |
| City Engineer | Joseph Ciuni |
| City Architect | Norman Casini |
| Building Commissioner | Scott Packard |
| Director of Economic Development and Community | Martine Divito |
| Clerk of Courts | Nancy Catalano |



JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of City Council
Bedford Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bedford Heights, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Bedford Heights, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford Heights, Ohio, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Fire Levy Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of City Council
Bedford Heights, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2006 on our consideration of the City of Bedford Heights, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bedford Heights, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


James G. Zupka, CPA, Inc.
Certified Public Accountants

June 15, 2006

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2005

The discussion and analysis of the City of Bedford Heights' financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. 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 additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2005 are as follows:

- ◆ The assets of, the City of Bedford Heights exceeded its liabilities at the close of the most recent fiscal year by \$29,402,941. Of this amount, \$6,005,956 may be used to meet the City's ongoing obligations to citizens and creditors.
- ◆ Total assets increased by \$180,795, which represents an increase of approximately less than one percent over 2004. The biggest change was an increase in cash and cash equivalents of \$1,167,289 off set by a decrease in taxes receivable of \$246,612, decrease in capital assets of \$290,974 and a decrease in accounts receivable of \$354,225.
- ◆ Total liabilities decreased by \$607,593, which represents a decrease of 4.3 percent over 2004. The main factors contributing to this decrease was a decrease of \$710,477 in long-term liabilities specifically the payment of debt principal and a decrease in notes payable of \$175,000.
- ◆ In total, net assets in governmental activities increased by \$981,489 during 2005. This represents a 4.8 percent increase from 2004.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of Bedford Heights' basic financial statements. The City of Bedford Heights' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – Reporting the City of Bedford Heights as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets presents information on all the City of Bedford Heights' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Bedford Heights is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered. Both the Statement of Net Assets and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2005

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.
- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer system is reported here.

Fund Financial Statements - Reporting the City of Bedford Heights' Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City of Bedford Heights, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Bedford Heights can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds.

The City of Bedford Heights maintains 20 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the general fund, fire levy special revenue fund, debt service and the capital improvements capital projects fund, all of which are considered to be major funds.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2005

Proprietary Funds

The City of Bedford Heights maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found starting on page 27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 31 of this report.

Government-wide Financial Analysis - City of Bedford Heights as a Whole

As noted earlier, the Statement of Net Assets looks at the City as a Whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning and End of Year

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2005

Table 1 provides a summary of the City's net assets for 2005 as compared to 2004.

Table 1
Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-----------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Assets | | | | | | |
| Current and Other Assets | \$ 11,945,285 | \$ 11,440,295 | \$ 872,905 | \$ 906,126 | \$ 12,818,190 | \$ 12,346,421 |
| Capital Assets, Net | <u>22,234,265</u> | <u>22,131,836</u> | <u>7,891,253</u> | <u>8,284,656</u> | <u>30,125,518</u> | <u>30,416,492</u> |
| Total Assets | <u>34,179,550</u> | <u>33,572,131</u> | <u>8,764,158</u> | <u>9,190,782</u> | <u>42,943,708</u> | <u>42,762,913</u> |
| Liabilities | | | | | | |
| Current Liabilities and Other Liabilities | | | | | | |
| Liabilities | 5,103,592 | 5,012,198 | 121,053 | 109,563 | 5,224,645 | 5,121,761 |
| Long-term Liabilities | | | | | | |
| Due Within One Year | 1,406,850 | 1,319,952 | 295,717 | 289,892 | 1,702,567 | 1,609,844 |
| Due In More Than One Year | <u>6,036,149</u> | <u>6,588,511</u> | <u>577,406</u> | <u>828,244</u> | <u>6,613,555</u> | <u>7,416,755</u> |
| Total Liabilities | <u>12,546,591</u> | <u>12,920,661</u> | <u>994,176</u> | <u>1,227,699</u> | <u>13,540,767</u> | <u>14,148,360</u> |
| Net Assets | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 16,145,732 | 15,452,858 | 7,251,253 | 7,444,582 | 23,396,985 | 22,897,440 |
| Restricted for: | | | | | | |
| Debt Service | 303,591 | 162,661 | - | - | 303,591 | 162,661 |
| Capital Projects | 166,599 | - | - | - | 166,599 | - |
| Other Purposes | 96,478 | 17,699 | - | - | 96,478 | 17,699 |
| Unrestricted | <u>4,920,559</u> | <u>5,018,252</u> | <u>518,729</u> | <u>518,501</u> | <u>5,439,288</u> | <u>5,536,753</u> |
| Total Net Assets | <u>\$ 21,632,959</u> | <u>\$ 20,651,470</u> | <u>\$ 7,769,982</u> | <u>\$ 7,963,083</u> | <u>\$ 29,402,941</u> | <u>\$ 28,614,553</u> |

Total assets increased \$180,795. Even though the cash and cash equivalents increased by \$1,167,289, a decrease in capital assets of \$290,974 offset this increase primarily due to capital asset depreciation on capital assets. Also, accounts receivable decreased \$354,225. In 2004, some of the prisoner housing fees were outstanding at year-end. In 2005 those fees were collected prior to year-end, reducing the accounts receivable balance.

The total net assets of the City increased by \$788,388. The following factors were responsible for this decrease:

- A reduction in notes payable of approximately \$175,000.
- An increase in accrued wages of \$251,637.
- An increase in cash and cash equivalents of \$1,167,289.
- A decrease in capital assets of \$290,974.
- A decrease in accounts receivable of \$354,225.

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The City has tried to make concerted efforts to maximize the return on investments of its cash and cash equivalents and use these funds to provide liquidity for planned future capital purchases. Due to the interest rates in the past year, the investments have shifted from short term CD's and government notes and bills to short and longer-term federal government agency issues. However, even though the State code allows for investments with maturities of five years or less, the City has not invested in any instrument with a maturity of more than two years.

Another tool used by the City to reduce its long-term liability is to pay off accumulated sick leave for police and fire employees. Upon the request of a police or fire employee with over ten years of service, accumulated sick time may be paid out on an annual basis. This allows the City to pay accumulated sick hours at the current hourly rate as opposed to paying for it at a higher rate in the future at the time of retirement. The employees benefit by having funds available to them currently with the opportunity to invest them and potentially gain a higher rate of return as opposed to a future date.

The City of Bedford Heights is also part of N.O.R.M.A. Self Insurance Pool, Inc. for liability insurance and workers compensation. Significant savings in premiums have resulted from being a member of the above referenced insurance pool. In addition the City conducts random drug testing of employees with CDL licenses which aids in reducing workers compensation premiums.

The net assets of our business-type activities decreased by 2.4 percent in 2005. The City generally can only use these net assets to finance the continuing operations of the sewer system. The decrease was mainly due to an increase in depreciation expense.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2005

Table 2
 Changes in Net Assets

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|---------------------|---------------------------------|---------------------|-------------------|---------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Program Revenues | | | | | | |
| Charges for Services | \$ 5,228,023 | \$ 3,857,814 | \$ 2,558,829 | \$ 2,522,827 | \$ 7,786,852 | \$ 6,380,641 |
| Operating Grants | 91,981 | 69,160 | - | - | 91,981 | 69,160 |
| Capital Grants | - | <u>1,299,573</u> | - | - | - | <u>1,299,573</u> |
| Total Program Revenues | <u>5,320,004</u> | <u>5,226,547</u> | <u>2,558,829</u> | <u>2,522,827</u> | <u>7,878,833</u> | <u>7,749,374</u> |
| General Revenues | | | | | | |
| Property Taxes | 3,928,562 | 4,222,238 | - | - | 3,928,562 | 4,222,238 |
| Income Taxes | 8,793,132 | 8,747,883 | - | - | 8,793,132 | 8,747,883 |
| Grants and Entitlements | 1,347,948 | 1,395,309 | - | - | 1,347,948 | 1,395,309 |
| Investment Earnings | 148,505 | 58,789 | 2,547 | 787 | 151,052 | 59,576 |
| Miscellaneous | <u>25,087</u> | <u>494,516</u> | <u>11,553</u> | <u>13,022</u> | <u>36,640</u> | <u>507,538</u> |
| Total Revenues | <u>19,563,238</u> | <u>20,145,282</u> | <u>2,572,929</u> | <u>2,536,636</u> | <u>22,136,167</u> | <u>22,681,918</u> |
| Program Expenses | | | | | | |
| General Government | 4,242,177 | 3,457,529 | - | - | 4,242,177 | 3,457,529 |
| Security of | | | | | | |
| Persons and Property | 10,151,220 | 9,114,502 | - | - | 10,151,220 | 9,114,502 |
| Public Health and Welfare | 365,842 | 328,601 | - | - | 365,842 | 328,601 |
| Leisure Time Activities | 1,674,142 | 1,119,587 | - | - | 1,674,142 | 1,119,587 |
| Community Development | 545,634 | 1,082,921 | - | - | 545,634 | 1,082,921 |
| Basic Utility Services | 682,991 | 519,054 | - | - | 682,991 | 519,054 |
| Transportation | 730,428 | 1,131,751 | - | - | 730,428 | 1,131,751 |
| Interest and Fiscal Charges | 248,915 | 465,715 | - | - | 248,915 | 465,715 |
| Sewer | - | - | <u>2,706,430</u> | <u>1,070,626</u> | <u>2,706,430</u> | <u>1,070,626</u> |
| Total Program Expenses | <u>18,641,349</u> | <u>17,219,660</u> | <u>2,706,430</u> | <u>1,070,626</u> | <u>21,347,779</u> | <u>18,290,286</u> |
| Increase (Decrease) in Net Assets before Transfers | 921,889 | 2,925,622 | (133,501) | 1,466,010 | 788,388 | 4,391,632 |
| Transfers | <u>59,600</u> | <u>(219,490)</u> | <u>(59,600)</u> | <u>219,490</u> | <u>-</u> | <u>-</u> |
| Change in Net Assets | \$ <u>981,489</u> | \$ <u>2,706,132</u> | \$ <u>(193,101)</u> | \$ <u>1,685,500</u> | \$ <u>788,388</u> | \$ <u>4,391,632</u> |

Governmental Activities

Several revenue sources fund our governmental activities with the City's property and income tax being the largest contributors. The City's income tax revenue source is the largest contributor with a rate of two percent on gross income which has not changed since 1982. Residents of the City who work in another community and pay the withholding tax for that community receive a 100 percent tax credit on their City tax for 100 percent, the credit limit being 2 percent. During 2005, the revenues generated from this tax amounted to \$8,793,132. The City continues to enforce a delinquent letter program and the subpoena

City of Bedford Heights
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For the Fiscal Year Ended December 31, 2005

program to ensure compliance with the local tax laws. Investment earnings increased to drop as the Federal Reserve maintained its thrust on rate increases.

Security of Persons and Property and General Government are the major activities of the City generating 77.2 percent of the governmental expenses. Currently, there are 33 full-time sworn officers in the police department. During 2005, the department continued to place strong emphasis on the training of its employees to keep up with the rapidly changing laws, practices and technology. The City has made continued to make a concerted effort to monitor expenses. The major increase in expenses during the year was due to depreciation on capital assets.

The fire department normally consists of 29 full-time fire fighters, including the Chief and Assistant Chief. Two fire fighter positions are vacant as of December 31, 2005 and are expected to be filled by July 2006. All but four of these fire fighters are fully trained paramedics. Again, training plays a crucial role in the day-to-day operation of the fire department. Techniques such as live practice burn-downs, continuing education classes, practice drills and watching training videos help keep the firefighters updated to perform their jobs most efficiently. The department handled 1,860 calls for assistance of which approximately 1,260 were for EMS and the rest for fire and fire related incidents. The total amount spent on overtime expenses during 2005 was \$139,469 as compared to \$118,541 during 2004. The total cost of operating the Fire and EMS department during 2005 was \$2,357,041 within the Fire Levy Fund. The City annually transfers into the Fire Levy Fund the difference between the revenue generated from the 3 mill fire levy and the operating expenses incurred. In 2005, the transfer from the General Fund was \$1,420,000.

The City also has an annual road program entailing major and minor resurfacing of the various streets in Bedford Heights. The reconstruction of various streets totaling approximately \$717,514 was spent during 2005. As of December 31, 2005, approximately \$400,000 remained in construction in progress. The annual road program is funded from the 2 mill Street Construction Levy.

Business-Type Activities

The Business-Type activities of the City, which include the City's sewer operations, decreased the City's net assets by \$193,101.

Net program expense exceeded program revenue in the amount of \$147,601 for the sewer operations for 2005. This is mainly due to an increase in depreciation charged to capital assets during the year.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$23,052,871 and expenditures and other financing uses of \$22,247,881. The net change in fund balance for the year was most significant in the General Fund showing an increase in fund balance of \$686,363 which increased the fund balance to \$5,003,473. The increase in fund balance was mainly due to a significant increase in charges for services due to the fees charged relating to the jail facility. The jail facility was

City of Bedford Heights
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upgraded in 2004 which allowed more prisoners to be housed. The Capital Project fund reflected an increase of \$130,574, which was mainly affected by the completion of the jail project in the prior year. Overall the revenue base continues to meet City obligations and reflects the current solid financial condition of the City as a whole.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held council meeting, which is open to the public; the budget is adopted by City council. Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the General Fund, final budget basis revenue was higher than the original budget estimates of \$14,728,355. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The original appropriations of \$12,564,770 was sufficient to meet the expenditures for the year, which ended up at \$12,590,972 or \$26,202 less than anticipated due to conservative spending.

The City's ending unobligated budgetary fund balance was \$161,866 lower than the final budgeted amount mostly due to lower than anticipated municipal tax revenue.

Fire Levy Fund Budgeting Highlights

For the Fire Levy Fund, final budget basis revenue was less than the original budget estimates of \$951,658 and other financing sources of \$1,470,000. The original appropriations of \$2,465,300, was sufficient to meet actual expenditures. This is primarily due to budgeted amounts for supplies and salaries, wages and benefits being greater than actual.

Business-Type Funds

The City's major Enterprise funds consist of the Sewer Treatment Fund. The basic financial statements for the major funds are included in this report.

Proprietary Funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Sewer Treatment Fund. The basic proprietary fund financial statements can be found on page 27 through 29 of this report.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2005

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the City of Bedford Heights had \$30,125,518 invested in land, buildings, equipment, vehicles and infrastructure.

Table 3 shows fiscal 2005 balances of Capital Assets as compared to 2004:

Table 3
 Capital Assets at December 31

| | Governmental | | Business-Type | | Totals | |
|--------------------------------|---------------|---------------|---------------|--------------|---------------|---------------|
| | Activities | | Activities | | | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | \$ 1,794,631 | \$ 1,794,631 | \$ 99,200 | \$ 99,200 | \$ 1,893,831 | \$ 1,893,831 |
| Buildings and improvements | 17,058,244 | 17,047,119 | 3,339,965 | 3,334,465 | 20,398,209 | 20,381,584 |
| Machinery and equipment | 1,262,411 | 1,220,577 | 7,128,906 | 7,110,406 | 8,391,317 | 8,330,983 |
| Furniture and fixtures | 1,004,673 | 995,813 | 24,862 | 17,896 | 1,029,535 | 1,013,709 |
| Vehicles | 3,488,881 | 3,234,391 | 345,746 | 345,746 | 3,834,627 | 3,580,137 |
| Infrastructure | 14,145,681 | 13,840,017 | 5,854,761 | 5,854,761 | 20,000,442 | 19,694,778 |
| Construction in progress | 1,181,147 | 194,560 | - | - | 1,181,147 | 194,560 |
| Less: accumulated depreciation | (17,701,403) | (16,195,272) | (8,902,187) | (8,477,818) | (26,603,590) | (24,673,090) |
| Total capital assets | \$ 22,234,265 | \$ 22,131,836 | \$ 7,891,253 | \$ 8,284,656 | \$ 30,125,518 | \$ 30,416,492 |

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame (5 to 6 years). Police cars are replaced every 12 months. The older vehicles are either traded in to the dealers or sold to the highest bidder at auction.

With regards to the infrastructure, the City's engineering, public works and water reclamation departments maintain a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the Engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or cracksealed and in the case of concrete roads, either replaced or repaired. After approval from council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is paid for out of the street construction levy fund and capital improvements fund of the City. Capital assets for business-type activities decreased by \$393,403 due to the City's reduction in asset purchases and an increase in accumulated depreciation.

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The City is committed to a long-term goal of meeting the needs of its infrastructure and facilities. We have a five-year capital plan in place that provides for street, sanitary and storm improvements and maintaining our current structures. See Note 6 for more information on capital assets.

Debt

At December 31, 2005, the City of Bedford Heights had \$8,316,122 in outstanding debt and compensated absences, of which \$5,975,000 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
 Outstanding Debt at Year End

| | Governmental | | Business-Type | | Totals | |
|--------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| General obligation bonds | \$ 5,335,000 | \$ 5,895,000 | \$ 640,000 | \$ 835,000 | \$ 5,975,000 | \$ 6,730,000 |
| Special assessment bonds | 18,000 | 27,000 | - | - | 18,000 | 27,000 |
| Capital leases payable | 735,534 | 756,978 | - | 5,074 | 735,534 | 762,052 |
| Compensated absences | 1,354,465 | 1,229,485 | 233,123 | 278,062 | 1,587,588 | 1,507,547 |
| <i>Total</i> | <u>\$ 7,442,999</u> | <u>\$ 7,908,463</u> | <u>\$ 873,123</u> | <u>\$ 1,118,136</u> | <u>\$ 8,316,122</u> | <u>\$ 9,026,599</u> |

At December 31, 2005, the City's overall legal debt margin was \$27,570,232. At year-end, the outstanding general obligation debt was \$5,975,000 and the outstanding special assessment debt was \$18,000. Other obligations include capital leases, accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 8 of the basic financial statements.

Current Related Financial Activities

The City of Bedford Heights is strong financially. In addition, the City of Bedford Heights' systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Bedford Heights with full disclosure of the financial position of the City.

On behalf of the City of Bedford Heights, we personally thank Ciuni and Panichi, Inc., for their involvement and support in putting together the GASB 34 statements. Ciuni & Panichi, Inc. has committed themselves toward leading the way and providing necessary guidance to enable us to reach a level of excellence.

City of Bedford Heights
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended December 31, 2005

Contacting the City of Bedford Heights' Finance Department

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Mark Cegelka, City of Bedford Heights, 5661 Perkins Road, Bedford Heights, Ohio 44146, telephone (440) 786-3227.

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City of Bedford Heights, Ohio

Statement of Net Assets

December 31, 2005

| | Primary Government | | Total |
|--|----------------------------|----------------------------------|----------------------|
| | Governmental Activities | Business - Type Activities | |
| Assets: | | | |
| Cash and cash equivalents | \$ 4,516,531 | \$ 206,331 | \$ 4,722,862 |
| Accounts receivable, net of allowance for doubtful accounts | 441,815 | 579,587 | 1,021,402 |
| Accrued interest receivable | 19,860 | - | 19,860 |
| Intergovernmental receivable | 868,381 | - | 868,381 |
| Material and supplies inventory | 82,095 | 64,072 | 146,167 |
| Prepaid assets | 48,136 | 22,915 | 71,051 |
| Taxes receivable | 5,870,141 | - | 5,870,141 |
| Special assessments receivable | 98,326 | - | 98,326 |
| Non-depreciable capital assets | 2,975,778 | 99,200 | 3,074,978 |
| Depreciable assets, net | <u>19,258,487</u> | <u>7,792,053</u> | <u>27,050,540</u> |
| Total assets | <u>34,179,550</u> | <u>8,764,158</u> | <u>42,943,708</u> |
| Liabilities: | | | |
| Accounts payable | 461,218 | 26,811 | 488,029 |
| Accrued wages and benefits | 766,140 | 69,766 | 835,906 |
| Intergovernmental payable | 179,730 | 21,463 | 201,193 |
| Unearned revenue | 3,438,179 | - | 3,438,179 |
| Accrued interest payable | 33,325 | 3,013 | 36,338 |
| Notes payable | 225,000 | - | 225,000 |
| Long term liabilities: | | | |
| Due within one year | 1,406,850 | 295,717 | 1,702,567 |
| Due in more than one year | <u>6,036,149</u> | <u>577,406</u> | <u>6,613,555</u> |
| Total liabilities | <u>12,546,591</u> | <u>994,176</u> | <u>13,540,767</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 16,145,732 | 7,251,253 | 23,396,985 |
| Restricted for: | | | |
| Debt service | 303,591 | - | 303,591 |
| Other purposes | 96,478 | - | 96,478 |
| Capital projects | 166,599 | - | 166,599 |
| Unrestricted | <u>4,920,559</u> | <u>518,729</u> | <u>5,439,288</u> |
| Total net assets | \$ <u>21,632,959</u> | \$ <u>7,769,982</u> | \$ <u>29,402,941</u> |

See Accompanying Notes to the Basic Financial Statements

City of Bedford Heights, Ohio

Statement of Activities

For The Year Ended December 31, 2005

| | Program Revenues | | |
|----------------------------------|----------------------|----------------------|------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions |
| Government Activities: | | | |
| General government | \$ 4,242,177 | \$ 667,423 | \$ 53,444 |
| Security of persons and property | 10,151,220 | 214,941 | 38,537 |
| Public health and welfare | 365,842 | 3,751,040 | - |
| Leisure time activities | 1,674,142 | 174,966 | - |
| Community development | 545,634 | 419,653 | - |
| Basic utility services | 682,991 | - | - |
| Transportation | 730,428 | - | - |
| Interest and fiscal charges | 248,915 | - | - |
| Total governmental activities | <u>18,641,349</u> | <u>5,228,023</u> | <u>91,981</u> |
| Business-Type Activities: | | | |
| Sewer | <u>2,706,430</u> | <u>2,558,829</u> | <u>-</u> |
| Total | \$ <u>21,347,779</u> | \$ <u>7,786,852</u> | \$ <u>91,981</u> |

General revenues:

- Property taxes and, levied for:
 - General purposes
 - Special revenues
 - Debt service
 - Capital projects
- Income taxes levied for:
 - General purposes
- Grants and entitlements not restricted to specific programs
- Investment income
- Miscellaneous income
- Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, restated

Net assets at end of year

See Accompanying Notes to the Basic Financial Statements

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|--------------------------------|------------------------|
| Primary Government | | |
| Governmental Activities | Business Type Activities | Total |
| \$ (3,521,310) | \$ - | \$ (3,521,310) |
| (9,897,742) | - | (9,897,742) |
| 3,385,198 | - | 3,385,198 |
| (1,499,176) | - | (1,499,176) |
| (125,981) | - | (125,981) |
| (682,991) | - | (682,991) |
| (730,428) | - | (730,428) |
| <u>(248,915)</u> | <u>-</u> | <u>(248,915)</u> |
| <u>(13,321,345)</u> | <u>-</u> | <u>(13,321,345)</u> |
| - | (147,601) | (147,601) |
| \$ <u>(13,321,345)</u> | \$ <u>(147,601)</u> | \$ <u>(13,468,946)</u> |
| 1,582,064 | - | 1,582,064 |
| 1,157,131 | - | 1,157,131 |
| 546,517 | - | 546,517 |
| 642,850 | - | 642,850 |
| 8,793,132 | - | 8,793,132 |
| 1,347,948 | - | 1,347,948 |
| 148,505 | 2,547 | 151,052 |
| 25,087 | 11,553 | 36,640 |
| <u>59,600</u> | <u>(59,600)</u> | <u>-</u> |
| <u>14,302,834</u> | <u>(45,500)</u> | <u>14,257,334</u> |
| 981,489 | (193,101) | 788,388 |
| <u>20,651,470</u> | <u>7,963,083</u> | <u>28,614,553</u> |
| \$ <u>21,632,959</u> | \$ <u>7,769,982</u> | \$ <u>29,402,941</u> |

City of Bedford Heights, Ohio

Balance Sheet Governmental Funds

December 31, 2005

| | <u>General</u> | <u>Fire Levy</u> |
|---|---------------------|---------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 3,509,520 | \$ 81,960 |
| Accounts receivable, net of allowance for doubtful accounts | 415,555 | - |
| Accrued interest receivable | 11,497 | - |
| Intergovernmental receivable | 463,749 | 39,373 |
| Supplies and materials inventory | 20,869 | - |
| Prepaid assets | 48,136 | - |
| Taxes receivable | 3,651,544 | 899,804 |
| Special assessments receivable | <u>-</u> | <u>-</u> |
| Total assets | \$ <u>8,120,870</u> | \$ <u>1,021,137</u> |
| Liabilities and fund balances: | | |
| Liabilities: | | |
| Accounts payable | \$ 170,788 | \$ - |
| Accrued wages and benefits | 396,757 | 84,649 |
| Intergovernmental payable | 134,955 | 36,670 |
| Unearned revenue | 2,414,897 | 939,177 |
| Accrued interest payable | - | - |
| Notes payable | <u>-</u> | <u>-</u> |
| Total liabilities | <u>3,117,397</u> | <u>1,060,496</u> |
| Fund balances: | | |
| Reserved for encumbrances | 36,251 | 9,089 |
| Reserved for inventory | 20,869 | - |
| Reserve for prepaids | 48,136 | - |
| Unreserved: Undesignated (deficits), reported in: | | |
| General fund | 4,898,217 | - |
| Special revenue funds | - | (48,448) |
| Debt service fund | - | - |
| Capital projects fund | <u>-</u> | <u>-</u> |
| Total fund balances (deficits) | <u>5,003,473</u> | <u>(39,359)</u> |
| Total liabilities and fund balances | \$ <u>8,120,870</u> | \$ <u>1,021,137</u> |

See Accompanying Notes to the Basic Financial Statements

| <u>Debt Service</u> | <u>Capital Improvements</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------|---------------------------------|--|---|
| \$ 194,439 | \$ 403,058 | \$ 327,554 | \$ 4,516,531 |
| - | 26,075 | 185 | 441,815 |
| - | 8,363 | - | 19,860 |
| 22,312 | 26,248 | 316,699 | 868,381 |
| - | - | 61,226 | 82,095 |
| - | - | - | 48,136 |
| 538,961 | 599,870 | 179,962 | 5,870,141 |
| <u>98,326</u> | <u>-</u> | <u>-</u> | <u>98,326</u> |
| \$ <u><u>854,038</u></u> | \$ <u><u>1,063,614</u></u> | \$ <u><u>885,626</u></u> | \$ <u><u>11,945,285</u></u> |
| \$ - | \$ 114,961 | \$ 175,469 | \$ 461,218 |
| - | - | 284,734 | 766,140 |
| - | - | 8,105 | 179,730 |
| 659,601 | 626,117 | 387,184 | 5,026,976 |
| - | 1,856 | - | 1,856 |
| <u>-</u> | <u>225,000</u> | <u>-</u> | <u>225,000</u> |
| <u>659,601</u> | <u>967,934</u> | <u>855,492</u> | <u>6,660,920</u> |
| - | 79,019 | 43,222 | 167,581 |
| - | - | 61,226 | 82,095 |
| - | - | - | 48,136 |
| - | - | - | 4,898,217 |
| - | - | (74,314) | (122,762) |
| 194,437 | - | - | 194,437 |
| <u>-</u> | <u>16,661</u> | <u>-</u> | <u>16,661</u> |
| <u>194,437</u> | <u>95,680</u> | <u>30,134</u> | <u>5,284,365</u> |
| \$ <u><u>854,038</u></u> | \$ <u><u>1,063,614</u></u> | \$ <u><u>885,626</u></u> | \$ <u><u>11,945,285</u></u> |

City of Bedford Heights, Ohio

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

December 31, 2005

Total Governmental fund balances \$ 5,284,365

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 22,234,265

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

| | |
|--------------------------|----------------|
| Property and other taxes | \$ 460,972 |
| Municipal income taxes | 426,559 |
| Special assessments | 98,326 |
| Intergovernmental | <u>602,940</u> |

Total 1,588,797

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (31,469)

Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.

| | |
|--------------------------|--------------------|
| General obligation bonds | (5,335,000) |
| Special assessment bonds | (18,000) |
| Capital lease payable | (735,534) |
| Compensated absences | <u>(1,354,465)</u> |

Total (7,442,999)

Net assets of governmental activities \$ 21,632,959

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City of Bedford Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For The Year Ended December 31, 2005

| | <u>General</u> | <u>Fire Levy</u> |
|---|---------------------|--------------------|
| Revenues: | | |
| Property taxes | \$ 1,789,120 | \$ 928,385 |
| Municipal income taxes | 8,983,275 | - |
| Other local taxes | 26,710 | - |
| Intergovernmental | 765,607 | 1,000 |
| Charges for services | 3,758,055 | - |
| Licenses and permits | 245,823 | - |
| Fines and forfeitures | 195,911 | - |
| Special assessments | - | - |
| Investment income | 32,627 | - |
| Miscellaneous income | <u>288,102</u> | <u>19,803</u> |
| Total revenues | <u>16,085,230</u> | <u>949,188</u> |
| Expenditures: | | |
| Current operations and maintenance: | | |
| Security of persons and property | 6,344,234 | 2,390,447 |
| Public health and welfare | 335,063 | - |
| Leisure time activities | 1,396,589 | - |
| Community development | 338,253 | - |
| Basic utility services | 556,749 | - |
| Transportation | 15,818 | - |
| General government | 3,724,007 | - |
| Capital outlay | 96,189 | - |
| Debt service: | | |
| Principal retirement | - | - |
| Interest and fiscal charges | <u>-</u> | <u>-</u> |
| Total expenditures | <u>12,806,902</u> | <u>2,390,447</u> |
| Excess of revenues over (under) expenditures | <u>3,278,328</u> | <u>(1,441,259)</u> |
| Other financing sources (uses): | | |
| Inception of capital leases | 48,705 | - |
| Transfers – in | - | 1,420,000 |
| Transfers – out | <u>(2,640,670)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(2,591,965)</u> | <u>1,420,000</u> |
| Net change in fund balances | 686,363 | (21,259) |
| Fund balances (deficits) at beginning of year | <u>4,317,110</u> | <u>(18,100)</u> |
| Fund balances (deficits) at end of year | \$ <u>5,003,473</u> | \$ <u>(39,359)</u> |

| <u>Debt Service</u> | <u>Capital Improvements</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------|---------------------------------|--|---|
| \$ 526,274 | \$ 618,923 | \$ 185,676 | \$ 4,048,378 |
| - | 100,000 | - | 9,083,275 |
| - | - | - | 26,710 |
| - | - | 692,308 | 1,458,915 |
| - | - | - | 3,758,055 |
| - | 161,327 | 184,217 | 591,367 |
| - | - | 11,654 | 207,565 |
| 123,450 | - | - | 123,450 |
| 14,140 | 101,738 | - | 148,505 |
| <u>-</u> | <u>3,979</u> | <u>311,189</u> | <u>623,073</u> |
| <u>663,864</u> | <u>985,967</u> | <u>1,385,044</u> | <u>20,069,293</u> |
| - | 16,972 | 1,252,732 | 9,987,413 |
| - | 65,934 | - | 400,997 |
| - | 60,219 | - | 1,456,808 |
| - | - | 245,817 | 584,070 |
| - | - | 17,050 | 573,799 |
| - | - | 1,015,928 | 1,031,746 |
| - | 35,813 | 13,137 | 3,772,957 |
| - | 823,453 | - | 936,614 |
| 569,000 | - | - | 569,000 |
| <u>232,058</u> | <u>11,749</u> | <u>-</u> | <u>243,807</u> |
| <u>801,058</u> | <u>1,014,140</u> | <u>2,544,664</u> | <u>19,557,211</u> |
| <u>(137,194)</u> | <u>(28,173)</u> | <u>(1,159,620)</u> | <u>512,082</u> |
| - | 48,747 | 135,856 | 233,308 |
| 168,970 | 160,000 | 1,001,300 | 2,750,270 |
| <u>-</u> | <u>(50,000)</u> | <u>-</u> | <u>(2,690,670)</u> |
| <u>168,970</u> | <u>158,747</u> | <u>1,137,156</u> | <u>292,908</u> |
| 31,776 | 130,574 | (22,464) | 804,990 |
| <u>162,661</u> | <u>(34,894)</u> | <u>52,598</u> | <u>4,479,375</u> |
| \$ <u>194,437</u> | \$ <u>95,680</u> | \$ <u>30,134</u> | \$ <u>5,284,365</u> |

City of Bedford Heights, 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, 2005

Net change in fund balances - total governmental funds \$ 804,990

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay 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 outlay | \$ 1,611,332 | |
| Depreciation | <u>(1,506,131)</u> | |
| Total | | 105,201 |

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. (2,772)

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

| | | |
|--------------------------|-----------------|-----------|
| Property and other taxes | (119,816) | |
| Municipal income taxes | (290,143) | |
| Special assessments | 42,659 | |
| Intergovernmental | <u>(18,986)</u> | |
| Total | | (386,286) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 569,000

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Assets. These sources were attributed to the inception of capital leases (233,308)

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.

| | | |
|-----------------------|----------------|----------------|
| Compensated absences | (124,980) | |
| Capital lease payable | 254,752 | |
| Accrued interest | <u>(5,108)</u> | |
| Total | | <u>124,664</u> |

Change in net assets of governmental activities \$ 981,489

City of Bedford Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Property taxes | \$ 1,773,001 | \$ 1,795,000 | \$ 1,789,120 | \$ (5,880) |
| Municipal income taxes | 7,915,000 | 9,111,000 | 8,880,267 | (230,733) |
| Other local taxes | 30,000 | 30,000 | 26,710 | (3,290) |
| Intergovernmental | 714,304 | 768,250 | 761,672 | (6,578) |
| Charges for services | 3,661,903 | 4,105,025 | 4,084,668 | (20,357) |
| Licenses and permits | 184,447 | 256,110 | 249,440 | (6,670) |
| Fines and forfeitures | 209,000 | 211,000 | 202,474 | (8,526) |
| Investment income | 10,000 | 22,000 | 21,130 | (870) |
| Miscellaneous income | 230,700 | 313,200 | 299,326 | (13,874) |
| Total revenues | <u>14,728,355</u> | <u>16,611,585</u> | <u>16,314,807</u> | <u>(296,778)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | 6,167,035 | 6,263,370 | 6,216,229 | 47,141 |
| Public health and welfare | 352,150 | 337,515 | 333,174 | 4,341 |
| Leisure time activities | 1,311,409 | 1,418,967 | 1,395,194 | 23,773 |
| Community development | 338,766 | 326,931 | 322,789 | 4,142 |
| Basic utility services | 586,800 | 568,271 | 559,491 | 8,780 |
| Transportation | 10,540 | 16,390 | 15,641 | 749 |
| General government | 3,708,870 | 3,698,340 | 3,654,124 | 44,216 |
| Capital outlay | 89,200 | 96,100 | 94,330 | 1,770 |
| Total expenditures | <u>12,564,770</u> | <u>12,725,884</u> | <u>12,590,972</u> | <u>134,912</u> |
| Excess of revenues over (under) expenditures | <u>2,163,585</u> | <u>3,885,701</u> | <u>3,723,835</u> | <u>(161,866)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of capital assets | 10,000 | - | - | - |
| Transfers – out | <u>(2,692,370)</u> | <u>(2,640,670)</u> | <u>(2,640,670)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(2,682,370)</u> | <u>(2,640,670)</u> | <u>(2,640,670)</u> | <u>-</u> |
| Net change in fund balance | (518,785) | 1,245,031 | 1,083,165 | (161,866) |
| Fund balance at beginning of year | 2,373,808 | 2,373,808 | 2,373,808 | - |
| Encumbrances at end of year | <u>52,547</u> | <u>52,547</u> | <u>52,547</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>1,907,570</u> | \$ <u>3,671,386</u> | \$ <u>3,509,520</u> | \$ <u>(161,866)</u> |

See Accompanying Notes to the Basic Financial Statements

City of Bedford Heights, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Fire Levy

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 933,158 | \$ 930,000 | \$ 928,385 | \$ (1,615) |
| Intergovernmental | - | 1,000 | 1,000 | - |
| Miscellaneous income | 18,500 | 20,900 | 19,803 | (1,097) |
| Total revenues | <u>951,658</u> | <u>951,900</u> | <u>949,188</u> | <u>(2,712)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | <u>2,465,300</u> | <u>2,413,200</u> | <u>2,366,130</u> | <u>47,070</u> |
| Excess of revenues over (under) expenditures | (1,513,642) | (1,461,300) | (1,416,942) | 44,358 |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>1,470,000</u> | <u>1,420,000</u> | <u>1,420,000</u> | <u>-</u> |
| Net change in fund balance | (43,642) | (41,300) | 3,058 | 44,358 |
| Fund balance at beginning of year | 69,813 | 69,813 | 69,813 | - |
| Encumbrances at end of year | <u>9,089</u> | <u>9,089</u> | <u>9,089</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>35,260</u> | \$ <u>37,602</u> | \$ <u>81,960</u> | \$ <u>44,358</u> |

City Of Bedford Heights, Ohio

Statement of Fund Net Assets Proprietary Funds

December 31, 2005

| | <u>Business-Type Activities Sewer Treatment Fund</u> |
|---|--|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 206,331 |
| Accounts receivable, net of allowance for doubtful accounts | 579,587 |
| Supplies and materials inventory | 64,072 |
| Prepaid assets | <u>22,915</u> |
| Total current assets | <u>872,905</u> |
| Noncurrent assets: | |
| Non-depreciable capital assets | 99,200 |
| Depreciable capital assets | <u>7,792,053</u> |
| Total noncurrent assets | <u>7,891,253</u> |
| Total assets | <u>8,764,158</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 26,811 |
| Accrued wages and benefits | 69,766 |
| Intergovernmental payable | 21,463 |
| Accrued interest payable | 3,013 |
| Accrued compensated absences | 95,717 |
| General obligation bond payable | <u>200,000</u> |
| Total current liabilities | <u>416,770</u> |
| Long-term liabilities (net of current portion): | |
| Accrued compensated absences | 137,406 |
| General obligation bonds payable | <u>440,000</u> |
| Total long-term liabilities | <u>577,406</u> |
| Total liabilities | <u>994,176</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 7,251,253 |
| Unrestricted | <u>518,729</u> |
| Total net assets | <u>\$ 7,769,982</u> |

See Accompanying Notes to the Basic Financial Statements

City Of Bedford Heights, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For The Year Ended December 31, 2005

| | <u>Business-Type Activities</u> Sewer Treatment Fund |
|---|---|
| Operating revenues: | |
| Charges for services | \$ 2,558,829 |
| Reimbursements | <u>11,553</u> |
| Total operating revenues | <u>2,570,382</u> |
| Operating expenses: | |
| Personal services | 1,474,989 |
| Travel and education | 15,858 |
| Contractual services | 577,333 |
| Supplies and materials | 165,656 |
| Depreciation | <u>424,369</u> |
| Total operating expenses | <u>2,658,205</u> |
| Operating loss | <u>(87,823)</u> |
| Non-operating revenues (expenses): | |
| Investment income | 2,547 |
| Interest and fiscal charges | <u>(48,225)</u> |
| Total non-operating revenues (expenses) | <u>(45,678)</u> |
| Loss before transfers | (133,501) |
| Transfers – out | <u>(59,600)</u> |
| Change in net assets | (193,101) |
| Net assets beginning of year, restated | <u>7,963,083</u> |
| Net assets end of year | \$ <u><u>7,769,982</u></u> |

See Accompanying Notes to the Basic Financial Statements

City Of Bedford Heights, Ohio

Statement of Cash Flows Proprietary Fund Types

For The Year Ended December 31, 2005

| | <u>Business-Type Activities</u> Sewer Treatment Fund |
|--|---|
| <i>Increase (decrease) in cash and cash equivalents:</i> | |
| Cash flows from operating activities | |
| Cash received from customers | \$ 2,569,670 |
| Cash payments for goods and services | (621,178) |
| Cash payments to employees for services and benefits | (1,504,413) |
| Cash payments for materials and supplies | (168,487) |
| Cash received for other operating activities | <u>11,553</u> |
| Net cash provided by operating activities | <u>287,145</u> |
| Cash flows from capital and related financing activities | |
| Acquisition and construction of assets | (30,966) |
| Principal paid | (200,074) |
| Interest paid | <u>(47,178)</u> |
| Net cash used for capital and related financing activities | <u>(278,218)</u> |
| Cash flows from investing activities | |
| Interest received | <u>2,547</u> |
| Cash flows from non-capital financing activities: | |
| Transfers-out | <u>(59,600)</u> |
| Net decrease in cash and cash equivalents | (48,126) |
| Cash and cash equivalents, beginning of year | <u>254,457</u> |
| Cash and cash equivalents, end of year | \$ <u><u>206,331</u></u> |
| <i>Reconciliation of net loss to net cash provided by (used for) operating activities:</i> | |
| Operating loss | \$ (87,823) |
| Adjustments: | |
| Depreciation | 424,369 |
| Changes in assets/liabilities | |
| Increase in accounts receivable | (15,409) |
| Increase in inventory | (2,831) |
| Decrease in prepaid assets | 3,335 |
| Decrease in accounts payable | (5,072) |
| Increase in accrued wages and benefits | 9,059 |
| Decrease in compensated absences payable | (38,616) |
| Increase in due to other governments | <u>6,456</u> |
| Total adjustments | <u>381,291</u> |
| Net cash provided by operating activities | \$ <u><u>287,145</u></u> |

See Accompanying Notes to the Basic Financial Statements

City Of Bedford Heights, Ohio

Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2005

| | <u>Agency</u> |
|---------------------------|------------------|
| Assets: | |
| Cash and cash equivalents | \$ <u>14,679</u> |
| Liabilities: | |
| Intergovernmental payable | \$ <u>14,679</u> |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements

For The Year Ended December 31, 2005

Note 1: The Reporting Entity

The City of Bedford Heights is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council form of government, was adopted January 1, 1960.

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. For the City of Bedford Heights this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

The Mayor's Court (the Court), which provides judicial services, is responsible for the levying and collecting of fines and forfeitures under state and local laws, and their subsequent distribution to various government agencies. The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court, along with its share of the Court's administrative and operating costs, are recorded in the City's General Fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as an agency fund in the accompanying financial statements.

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. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

Jointly Governed Organizations

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 electricity. NOPEC is currently comprised of 92 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 1: The Reporting Entity (continued)

Jointly Governed Organizations (continued)

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 Bedford Heights did not contribute to NOPEC during 2005. Financial information can be obtained by contacting Dan DiLiberto, Treasurer, 35150 Lakeshore Boulevard, Eastlake, Ohio 44095.

Note 2: Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type 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 and for the business-type activities of the City. 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 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 function or business activity is self-financing or draws from the general revenues of the City.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-Major funds are aggregated and presented in a single column. The internal service fund is presented in a single column 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. There are three categories of funds: Governmental, Proprietary and 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 financial resources.

Expendable assets are assigned to the various governmental funds according to the current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

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

Fire Levy Fund - Accounts for three (3) mills for each one dollar of assessed valuation for the purpose of operating, equipping and housing the City's own division of fire.

Debt Service Fund - Accounts for the transfers in and tax levies that are utilized for the repayment of general obligation debt.

Capital Improvements Fund - This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Funds - The proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as either Enterprise or Internal Service. The City has no Internal Service funds.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund.

Sewer Treatment Fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency funds are for the Glenwillow Sanitary Sewer Maintenance and Repair and the Mayor's Court.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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 net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

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 are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 5).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. 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), fines and forfeitures, licenses and permits, interest, grants and rentals.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

Expenses/Expenditures

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

E. Budgetary Process

An annual appropriated budget is legally required to be prepared for all funds of the City other than Agency funds. Council passes appropriations at the object and function level. Line item appropriations may be transferred between the accounts with the approval of the Mayor, Finance Director, and respective department head. Council must approve any revisions in the budget that alter total fund appropriations.

The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for annual appropriations measure.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments are made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission finds the revised estimates to be reasonable, the amounts reported in the budgetary statements as original represent the amounts in the first official certificate of estimated resources issued during 2005. The amounts reported in the budgetary as final reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

Annual Estimate

The Mayor, with the assistance of the Finance Director, is required by Charter to submit to Council, on or before December 1 of each fiscal year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. During the year, several supplemental appropriation measures were necessary. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for each fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is reappropriated.

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made to personal services, travel and education, contractual services, supplies and materials, capital outlay, debt principal and interest payments, and transfer accounts for each department. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures of governmental funds. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

F. Cash and Cash Equivalents

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

During fiscal year 2005, the City invested in STAROhio, certificates of deposit and obligations of other United States governmental agencies.

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005.

Following Ohio statutes, City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Individual investments are specifically identified as to which fund or funds the investment relates, and which funds are to be credited with the related interest earnings.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

G. Inventory

Inventory is valued at cost on a first-in, first-out basis. The costs of inventory items is recorded as expenditure in the governmental fund types and expenses in the proprietary fund types when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City's capitalization threshold is five thousand dollars. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. 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. Interest incurred during the construction of capital assets is also capitalized.

In the case of the initial capitalization of general infrastructure the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets by 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. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

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:

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets (continued)

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 15 to 50 years |
| Machinery and Equipment | 5 to 40 years |
| Furniture and Fixtures | 10 to 40 years |
| Vehicles | 5 to 16 years |
| Infrastructure | 15 to 100 years |
| Sewerlines | 50 to 75 years |

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

K. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City’s termination policy. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

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

L. 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 contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

M. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and inventories.

N. Net Assets

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are reimbursements for the sewer-treatment plant. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither occurred in 2005.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 2: Summary of Significant Accounting Policies (continued)

R. 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.

Note 3: Budgetary Basis of Accounting

While 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 and disbursements.

The Statements of Revenue, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual 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 identified as follows:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budget basis) rather than a reservation of fund balance (GAAP basis).

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

| | <u>Net Change in Fund Balance</u> | |
|------------------------------------|-----------------------------------|----------------------|
| | <u>General</u> | <u>Fire Levy</u> |
| GAAP Basis | \$ 686,363 | \$ (21,259) |
| <u>Increase (Decrease) Due to:</u> | | |
| Revenue accruals | 29,462 | - |
| Expenditure accruals | 419,887 | 33,406 |
| Encumbrances | <u>(52,547)</u> | <u>(9,089)</u> |
| Budget Basis | \$ <u>1,083,165</u> | \$ <u>3,058</u> |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 4: Deposits and Investments

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

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

Inactive deposits are monies 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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

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

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

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 4: Deposits and Investments (continued)

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was \$575,810 and the bank balance was \$869,429. Of the bank balance \$114,990 was covered by Federal depository insurance and \$754,439 was uninsured and collateralized with securities held by the pledging institution's trust department, not in the City's name.

Investments

The City has a formal investment policy. The City follows GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools", and records all its investments are reported at fair value. As of December 31, 2005, the city had the following investments:

| | <u>Fair Value</u> | <u>Weighted Average Maturity (Days)</u> |
|--|---------------------|---|
| Federal Home Loan Mortgage Corporation | \$ 3,312,514 | 313 |
| Federal National Mortgage Association | 490,142 | 166 |
| Federal Home Loan Bank | 147,807 | 309 |
| STAROhio | <u>211,268</u> | <u>N/A</u> |
| Total Portfolio | \$ <u>4,161,731</u> | <u>788</u> |

Fair value of \$4,161,731 equals the City's net cost for investments.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits security purchases to those that mature five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than three years.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 4: Deposits and Investments (continued)

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. All investments of the city are registered and carry a rating AAA by Standard & Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The following is the City's allocation as of December 31, 2005:

| <u>Investment Issuer</u> | <u>Percentage of Investments</u> |
|--|--------------------------------------|
| STAROhio | 5.08% |
| Federal Home Loan Mortgage Corporation | 79.59 |
| Federal Home Loan Bank | 3.55 |
| Federal National Mortgage Association | 11.78 |

Note 5: Receivables

Receivables at December 31, 2005 consisted primarily of taxes, intergovernmental receivables arising from grants, special assessments, charges for sewer treatment services, and charges for prisoner housing. All receivables are considered fully collectible.

A. Property Tax

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2003. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for *ad valorem* taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 5: Receivables (continued)

A. Property Taxes (continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 50 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Bedford Heights. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2005, was \$13.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

| | <u>Assessed Value</u> |
|-------------------|-----------------------|
| Category | |
| Real estate | \$ 236,817,590 |
| Tangible personal | 76,532,016 |
| Public utility | <u>6,419,870</u> |
| Total | <u>\$ 319,769,476</u> |

B. Income Tax

The City levies and collects an income tax of two percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least monthly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The City, by ordinance, allocates income tax revenues and expenditures for collecting, administering, and enforcing the tax to the general fund.

C. Intergovernmental

A summary of intergovernmental receivables is as follows:

| | <u>Amounts</u> |
|------------------------------|-------------------|
| Governmental activities | |
| Local governmental | \$ 354,281 |
| Homestead and rollback | 170,615 |
| Public utility reimbursement | 30,842 |
| Gasoline tax | 186,734 |
| Motor vehicle license | 107,571 |
| COPS grant reimbursement | 8,836 |
| Liquor and beer permits | 3,818 |
| Permissive auto registration | <u>5,684</u> |
| Total | <u>\$ 868,381</u> |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 6: Capital Assets

Capital asset activity for Governmental Activities for the year ended December 31, 2005, was as follows:

| | Restated Balance 12/31/04 | Additions | Disposals | Balance 12/31/05 |
|---|---------------------------------|--------------------|-------------------|----------------------|
| Governmental Activities | | | | |
| Nondepreciable assets | | | | |
| Land | \$ 1,794,631 | \$ - | \$ - | \$ 1,794,631 |
| Construction in progress | <u>194,560</u> | <u>989,359</u> | <u>(2,772)</u> | <u>1,181,147</u> |
| Total nondepreciable assets | <u>1,989,191</u> | <u>989,359</u> | <u>(2,772)</u> | <u>2,975,778</u> |
| Depreciable assets | | | | |
| Buildings and improvements | 17,047,119 | 11,125 | - | 17,058,244 |
| Furniture and fixtures | 995,813 | 8,860 | - | 1,004,673 |
| Machinery and equipment | 1,220,577 | 41,834 | - | 1,262,411 |
| Vehicles | 3,234,391 | 254,490 | - | 3,488,881 |
| Infrastructure: | | | | |
| Streets | 10,967,478 | 305,664 | - | 11,273,142 |
| Water Lines | <u>2,872,539</u> | <u>-</u> | <u>-</u> | <u>2,872,539</u> |
| Total depreciable assets | <u>36,337,917</u> | <u>621,973</u> | <u>-</u> | <u>36,959,890</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (7,187,970) | (465,281) | - | (7,653,251) |
| Furniture and fixtures | (565,946) | (49,076) | - | (615,022) |
| Machinery and equipment | (709,640) | (96,559) | - | (806,199) |
| Vehicles | (1,930,030) | (320,721) | - | (2,250,751) |
| Infrastructure: | | | | |
| Streets | (5,448,509) | (545,769) | - | (5,994,278) |
| Water Lines | <u>(353,177)</u> | <u>(28,725)</u> | <u>-</u> | <u>(381,902)</u> |
| Total accumulated depreciation | <u>(16,195,272)</u> | <u>(1,506,131)</u> | <u>-</u> | <u>(17,701,403)</u> |
| Total depreciable assets, net | <u>20,142,645</u> | <u>(884,158)</u> | <u>-</u> | <u>19,258,487</u> |
| Governmental activities capital assets, net | \$ <u>22,131,836</u> | \$ <u>105,201</u> | \$ <u>(2,772)</u> | \$ <u>22,234,265</u> |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 6: Capital Assets (continued)

Capital asset activity for Business-type Activities for the year ended December 31, 2005, was as follows:

| | Restated Balance <u>12/31/04</u> | <u>Additions</u> | <u>Disposals</u> | Balance <u>12/31/05</u> |
|-----------------------------------|--|---------------------|------------------|----------------------------|
| Business-type Activities | | | | |
| Nondepreciable assets | | | | |
| Land | \$ <u>99,200</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>99,200</u> |
| Depreciable assets | | | | |
| Buildings and improvements | 3,334,465 | 5,500 | - | 3,339,965 |
| Furniture and fixtures | 17,896 | 6,966 | - | 24,862 |
| Machinery and equipment | 7,110,406 | 18,500 | - | 7,128,906 |
| Vehicles | 345,746 | - | - | 345,746 |
| Infrastructure: | | | | |
| Sewers | <u>5,854,761</u> | <u>-</u> | <u>-</u> | <u>5,854,761</u> |
| Total depreciable assets | <u>16,663,274</u> | <u>30,966</u> | <u>-</u> | <u>16,694,240</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (2,299,279) | (82,678) | - | (2,381,957) |
| Furniture and fixtures | (11,580) | (975) | - | (12,555) |
| Machinery and equipment | (4,941,298) | (192,610) | - | (5,133,908) |
| Vehicles | (212,476) | (33,018) | - | (245,494) |
| Infrastructure: | | | | |
| Sewers | <u>(1,013,185)</u> | <u>(115,088)</u> | <u>-</u> | <u>(1,128,273)</u> |
| Total accumulated depreciation | <u>(8,477,818)</u> | <u>(424,369)</u> | <u>-</u> | <u>(8,902,187)</u> |
| Total depreciable assets, net | <u>8,185,456</u> | <u>(393,403)</u> | <u>-</u> | <u>7,792,053</u> |
| Business-type capital assets, net | \$ <u>8,284,656</u> | \$ <u>(393,403)</u> | \$ <u>-</u> | \$ <u>7,891,253</u> |

*Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------------|---------------------|
| General government | \$ 189,755 |
| Security of persons and property | 348,278 |
| Leisure time activities | 272,393 |
| Community development | 10,557 |
| Basic utility services | 109,192 |
| Transportation | <u>575,956</u> |
| Total | \$ <u>1,506,131</u> |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 7: Notes Payable

Note debt activity for the year ended December 31, 2005, consisted of the following:

| | Balance December 31, <u>2004</u> | (Retired) Issued | Balance December 31, <u>2005</u> |
|---|--|---------------------|--|
| Governmental Activities | | | |
| 1.95% 2004 Corrections facility improvement | \$ 400,000 | \$ (400,000) | \$ - |
| 3.30% 2005 Corrections facility improvement | <u>-</u> | <u>225,000</u> | <u>225,000</u> |
| Total governmental activities notes | <u>\$ 400,000</u> | <u>\$ (175,000)</u> | <u>\$ 225,000</u> |

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. There are also limitations on the number of times notes can be renewed.

Note 8: Long-Term Debt

A. Original Issues

The original issue date, interest rates and original issuance amount for each of the City's bonds follows:

| <u>Debt Issue</u> | <u>Original Issue Date</u> | <u>Interest Rate</u> | <u>Original Issue Amount</u> |
|------------------------------|--------------------------------|----------------------|----------------------------------|
| General Obligation Bonds: | | | |
| Community Center Expansion | 1994 | 4.90% - 6.00% | \$ 3,700,000 |
| Various Purpose Bonds | 1998 | 4.05% - 4.75% | 750,000 |
| Refunding Bond Issue | 1994 | 4.50% - 6.00% | 1,955,000 |
| Jail Facilities | 2004 | 2.00% - 4.00% | 3,300,000 |
| Special Assessment Bonds: | | | |
| N. Perkins Road Improvements | 1986 | 7.375% | 101,000 |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 8: Long-Term Debt (continued)

B. Bonded Debt and Other Long-Term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2005 was as follows:

| | <u>Balance December 31, 2004</u> | <u>(Retired) Issued</u> | <u>Balance December 31, 2005</u> | <u>Due Within One Year</u> |
|--|--|-----------------------------|--|------------------------------------|
| Governmental Activities | | | | |
| General Obligation Bonds: | | | | |
| Community center expansion due through 2014 | \$ 2,330,000 | \$ (180,000) | \$ 2,150,000 | \$ 190,000 |
| Various purpose bonds due through 2008 | 345,000 | (80,000) | 265,000 | 85,000 |
| Refunded jail facilities improvement, due through 2018 | <u>3,220,000</u> | <u>(300,000)</u> | <u>2,920,000</u> | <u>370,000</u> |
| Total general obligation bonds | <u>5,895,000</u> | <u>(560,000)</u> | <u>5,335,000</u> | <u>645,000</u> |
| Special Assessment Bonds: | | | | |
| N. Perkins Road Improvement due through 2007 | <u>27,000</u> | <u>(9,000)</u> | <u>18,000</u> | <u>9,000</u> |
| Other Long-Term Obligations: | | | | |
| Capital leases payable | 756,978 | 233,308 | 735,534 | 242,431 |
| | | (254,752) | | |
| Accrued compensated absences | 1,229,485 | 692,196 | | |
| | | <u>(567,216)</u> | <u>1,354,465</u> | <u>510,419</u> |
| Total other long-term obligation | <u>1,986,463</u> | <u>103,536</u> | <u>2,089,999</u> | <u>752,850</u> |
| Total governmental activities long-term liabilities | \$ <u>7,908,463</u> | \$ <u>(465,464)</u> | \$ <u>7,442,999</u> | \$ <u>1,406,850</u> |
| Business-Type Activities | | | | |
| General Obligation Bonds: | | | | |
| Refunding bond issue due through 2008 | \$ 835,000 | \$ (195,000) | \$ 640,000 | \$ 200,000 |
| Capital leases payable | 5,074 | (5,074) | - | - |
| Accrued compensated absences | 278,062 | 51,202 | | |
| | | <u>(96,141)</u> | <u>233,123</u> | <u>95,717</u> |
| Total business-type activities long-term liabilities | \$ <u>1,118,136</u> | \$ <u>(245,013)</u> | \$ <u>873,123</u> | \$ <u>295,717</u> |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 8: Long-Term Debt (continued)

B. Bonded Debt and Other Long-Term Obligations (continued)

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2005 are as follows:

| | <u>General Obligation Bonds</u> | | <u>Governmental Activities</u> | | <u>Totals</u> | |
|-----------|---------------------------------|---------------------|--------------------------------|-----------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| | | | | | | |
| 2006 | \$ 645,000 | \$ 209,433 | \$ 9,000 | \$ 1,328 | \$ 654,000 | \$ 210,761 |
| 2007 | 685,000 | 187,345 | 9,000 | 664 | 694,000 | 188,009 |
| 2008 | 700,000 | 163,915 | - | - | 700,000 | 163,915 |
| 2009 | 505,000 | 139,775 | - | - | 505,000 | 139,775 |
| 2010 | 525,000 | 120,063 | - | - | 525,000 | 120,063 |
| 2011-2015 | 2,225,000 | 256,880 | - | - | 2,225,000 | 256,880 |
| 2016-2018 | <u>50,000</u> | <u>4,200</u> | <u>-</u> | <u>-</u> | <u>50,000</u> | <u>4,200</u> |
| Totals | \$ <u>5,335,000</u> | \$ <u>1,081,611</u> | \$ <u>18,000</u> | \$ <u>1,992</u> | \$ <u>5,353,000</u> | \$ <u>1,083,603</u> |

| | <u>Business-Type Activities</u> | |
|--------|---------------------------------|------------------|
| | <u>General Obligation Bonds</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 200,000 | \$ 36,160 |
| 2007 | 210,000 | 24,860 |
| 2008 | <u>230,000</u> | <u>12,995</u> |
| Totals | \$ <u>640,000</u> | \$ <u>74,015</u> |

General obligation bonds and notes are direct obligations of the City for which its full faith and credit are pledged for repayment.

In the event that revenues are not sufficient to meet annual principal and interest requirements, the City has reserved the right to levy property tax millage in an amount necessary to retire principal and interest.

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be received in and the debt will be retired through the general bond retirement debt service fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

Compensated absences will be paid from the general fund, street construction maintenance and repair fund, fire pension fund and sewer treatment fund.

The City's overall legal debt margin was \$27,570,232 at December 31, 2005.

In 2004, the City issued a par amount of \$3,300,000 of Jail Facilities bonds with an average coupon rate of 2.518 percent to advance refund the portion of the 1995 Prior Issue stated to mature on December 1, 2018 in the aggregate principal amount of \$1,340,000 with an interest rate of 2.9 percent. The net proceeds from the issuances of the general obligation bonds and cash payment of \$49,496 were used to purchase U.S.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 8: Long-Term Debt (continued)

B. Bonded Debt and Other Long-Term Obligations (continued)

Government Securities in the amount of \$1,442,145 and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Jail Facilities bonds are called on December 1, 2014. The advance refunding met the requirements of an in-substance debt defeasance and the Jail Facilities bonds were removed from the City's government-wide financial statements. As of December 31, 2005, the amount of defeased debt outstanding but removed from the financial statements amounted to \$1,240,000.

Note 9: Capital Leases

The City has entered into lease agreements as lessee for financing which relate to various equipment and vehicles. These leases are long-term agreements which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases." These amounts represent the present value of the minimum lease payments at the inception of the lease.

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------------|------------------------------------|-------------------------------------|
| Assets: | | |
| Machinery and Equipment | \$ 95,807 | \$ 31,540 |
| Less: Accumulated Depreciation | <u>(10,029)</u> | <u>(31,540)</u> |
| Total | \$ <u>(85,778)</u> | \$ <u>-</u> |
| Vehicles | \$ 1,510,369 | \$ - |
| Less: Accumulated Depreciation | <u>(650,716)</u> | <u>-</u> |
| Total | \$ <u>859,653</u> | \$ <u>-</u> |

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments.

| <u>Year</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2006 | \$ 274,472 |
| 2007 | 211,626 |
| 2008 | 146,182 |
| 2009 | 118,826 |
| 2010 | <u>59,414</u> |
| Total minimum lease payments | 810,520 |
| Less: Amount representing interest | <u>(74,986)</u> |
| Present value of minimum lease payments | \$ <u>735,534</u> |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 9: Capital Leases (continued)

Lease payments are made from the General, Street Construction Maintenance and Repair, Safety Department Equipment, Fire Levy, Ambulance Billing, Capital Improvements and Sewer Treatment Funds. The lease payments amount will be paid with current, available resources that have accumulated in the fund for payment early in the following year.

Note 10: Compensated Absences

In conformity with GASB Statement No. 16, the City accrues vacation and compensatory time benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Likewise, the City accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the pay rates in effect at December 31, 2004. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

Vacation leave is earned at rates, which vary depending upon length of service and standard workweek. The City's current vacation policy specifies that accumulated vacation leave must be used prior to December 31 of the year following the year in which it is earned unless approved by Council by motion.

Each department earns sick leave at a negotiated rate per month. Each employee with the City is paid a portion of the employee's earned unused sick leave, with a maximum number of hours per department specifications, upon retirement from the City with 10 years of service. The Police and Fire Departments are able to accumulate compensatory time in lieu of being paid overtime, to be taken anytime or paid at time of separation.

Note 11: Pension Plans

A. *Ohio Public Employees Retirement System*

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

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 11: Pension Plans (continued)

A. *Ohio Public Employees Retirement System (continued)*

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

The Ohio Revised Code provides statutory authority for member employer contributions. For 2005, member and employer contribution rates were consistent across all 3 plans (TP, MD and CO). For the year ended December 31, 2005, the members of all three plans were required to contribute 8.50 percent of their annual covered salary to fund pension obligations. The City contributed 13.55 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees. The contribution rate is determined actuarially. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City of Bedford Heights's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$575,778, \$529,846, and \$466,841, respectively, equal to the required contributions for each year. The full amount has been contributed for all three years. Contributions to the member-directed plan for 2005 were \$2,373 made by the City of Bedford Heights and \$1,489 made by the plan members.

B. *Ohio Police and Fire Pension Fund*

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by state statute. The City of Bedford Heights's contributions to the Fund for police and firefighters were \$440,273 and \$426,275 for the year ended December 31, 2005, \$409,742 and \$434,095 for the year ended December 31, 2004, and \$402,731 and \$444,771 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 77 percent for police and 77 percent for firefighters has been contributed for 2005 with the remainder being reported as a liability.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 12: Postemployment Benefits

A. *Ohio Public Employees Retirement System*

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4.0 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.0 percent. An annual increase of 4.0 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increase, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The City's actual contributions for 2005, which were used to fund postemployment benefits, were \$241,164. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfounded actuarially accrued liability were \$29.5 billion and \$18.7 billion, respectively.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 12: Postemployment Benefits (continued)

A. *Ohio Public Employees Retirement System (continued)*

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retirement Medical Account that can be used to fund future health care expenses.

B. *Ohio Police and Fire Pension Fund*

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2004, the date of the last actuarial valuation available, was 13,812 for police and 10,528 for firefighters. The City's actual contributions for 2005 that were used to fund post-employment benefits were \$174,756 for police and \$137,264 for firefighters. OP&F's total health care expenses for the year ending December 31, 2004, the date of the last actuarial valuation available, was \$102,173,796, which was net of member contributions of \$55,665,341.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 13: Risk Management

The Northern Ohio Risk Management Association (NORMA) is jointly owned and operated by the Cities of Bedford Heights, Chagrin Falls, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, and South Euclid for the purpose of enabling its members to obtain maximum exposure protection at the least possible cost. The pool has a complete package of coverage, including property, general liability, automobile liability, employee dishonesty, boiler and machinery, and other coverages, supplemented by an umbrella liability policy. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of one representative from each of the participating members. Each entity must commit to the joint venture for terms of three years.

Each member provides operating resources to NORMA based on actuarially determined rates and shares in NORMA's residual equity based on the City's percentage of contributions. In the event of losses, the first \$1,000 to \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will be paid from the self-insurance pool with any excess paid from the stop loss coverage carried by the pool. As of December 31, 2005, NORMA had an aggregate stop loss ranging from \$400,000 to \$750,000 per policy year. Any losses over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment. This has not been necessary throughout the 13-year history of the pool.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health, dental and life insurance.

There were no reductions in insurance coverage from the previous year, nor have settlements exceeded insurance coverage in any of the prior three fiscal years.

Note 14: Interfund Transactions

Interfund transfers for the year ended December 31, 2005, consisted of the following:

| Transfer to | Transfer From | | | Total |
|-----------------------------|---------------------|---------------------------|------------------|---------------------|
| | General Fund | Capital Improvements Fund | Sewer Fund | |
| Fire Levy Fund | 1,420,000 | - | - | 1,420,000 |
| Debt Service Fund | 109,370 | - | 59,600 | 168,970 |
| Capital Improvements Fund | 160,000 | - | - | 160,000 |
| Nonmajor Governmental Funds | 951,300 | 50,000 | - | 1,001,300 |
| | <u>\$ 2,640,670</u> | <u>\$ 50,000</u> | <u>\$ 59,600</u> | <u>\$ 2,750,270</u> |

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 14: Interfund Transactions (continued)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Note 15: Contingencies/Pending Litigation

The City is currently involved in a variety of litigation. It is the opinion of the City's management that the ultimate settlement of such litigation will not result in a material adverse effect on the City's financial position and results of operations.

Note 16: Accountability

Special Revenue Funds

There are deficits in the Fire Levy, CDBG, Police Pension and the Fire Pension Special Revenue Funds of \$39,359, \$165,243, \$109,732 and \$86,207, respectively, caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 17: Change in Accounting Principles and Restatement of Net Assets

A. Change in Accounting Principles

For 2005, the City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statements No. 40 and No. 42 did not affect the presentation of the financial statements of the City.

City Of Bedford Heights, Ohio

Notes to Basic Financial Statements (Continued)

For The Year Ended December 31, 2005

Note 17: Change in Accounting Principles and Restatement of Net Assets (continued)

B. Restatement of Net Assets

Understatement of capital assets and overstatement of long-term assets had the following effects on net assets at December 31, 2004:

| | Governmental Activities | Business-Type Activities <u>Sewer Treatment Fund</u> |
|---|----------------------------|--|
| Net assets at December 31, 2004 | \$ 19,947,870 | \$ 6,477,817 |
| Reclassification adjustments: | | |
| Understatement of capital assets | 879,969 | 1,485,266 |
| Overstatement of long-term assets | <u>(176,369)</u> | <u>-</u> |
| Net assets at December 31, 2004, restated | \$ <u>20,651,470</u> | \$ <u>7,963,083</u> |

In addition, accounts receivable and deferred revenue were overstated at December 31, 2004 in the following funds: general, police pension, fire levy, debt service and capital improvements. The overstatements did not affect fund balances at December 31, 2004.

Note 18: Subsequent Events

In 2006, the City purchased one pumper truck and traded-up one ladder truck. The trucks (after trade-in) will be financed through a capital lease with Oshkosh Capital for \$751,298 over a ten-year period.

City of Bedford Heights, Ohio

Combining Statements
Non-Major Governmental Funds

Non-Major Special Revenue Funds

State Highway Improvement Fund

Required by the Ohio Revised code to account for that portion of the state gasoline tax and motor vehicle registration fees designed for maintenance of state highways within the City.

Street Maintenance and Repair Fund

Accounts for revenues from state license and gasoline taxes which must be used for the repair, maintenance and construction of City streets.

Safety Department Equipment Fund

Accounts for an enterprise zoning charge to be used for the Police and Fire Departments to purchase safety equipment.

Community Development Block Grant Fund

Accounts for revenue from the federal government and expenditures as prescribed under the Community Development Block Grant Program.

Police Pension Fund

Accumulates property taxes levied for the payment of the current employer's pension contributions.

Fire Pension Fund

Accumulates property taxes levied for the payment of the current employer's pension contributions.

Law Enforcement Trust Fund

Accounts for the proceeds from items sold that are confiscated by the City of Bedford Heights Police Department. These proceeds are restricted to the purchasing of law enforcement equipment, supplies or training materials.

D.U.I. Enforcement and Education Fund

Accounts for fines from D.U.I. convictions to be used for educating the public of laws governing the operation of motor vehicles.

(continued)

City of Bedford Heights, Ohio

Combining Statements Non-Major Governmental Funds (Continued)

Non-Major Special Revenue Funds (continued)

Ambulance Service Fund

Accounts for the proceeds received and payments made for ambulance services.

Litter Control Grant Fund

Accounts for the proceeds received to provide educational information to residents regarding recycling and litter control.

COPS Fund

Accounts for the proceeds and disbursements of a federal grant used for community police programs.

Commissary Fund

Accounts for the receipts in monies received from the inmates housed in the City's correction's facility for the purpose of purchasing commissary items.

Mayor's Court Computer Fund

Accounts for Mayor's Court costs imposed to finance the computerization, acquisition and maintenance of legal research services for the Mayor's Court.

Local Law Enforcement Grant Fund

Accounts for the proceeds and disbursements of a local grant used for the purchase of equipment for police personnel and vehicles.

Juvenile Community Diversion Fund

Accounts for reimbursements received from Cuyahoga County Juvenile Court to promote and develop a community diversion program to address juvenile misdemeanor and status offenders.

Sobriety Checkpoint and Education Fund

Accounts for Mayor's Court costs imposed to finance sobriety checkpoints throughout the City and the education of Police Officers regarding sobriety checkpoints.

City of Bedford Heights, Ohio

Combining Balance Sheet Non-Major Governmental Funds

December 31, 2005

| | State Highway <u>Improvement</u> | Street Maintenance & <u>Repair</u> | Safety Department <u>Equipment</u> | Community Development <u>Block Grant</u> |
|---------------------------------------|--|--|--|--|
| Assets: | | | | |
| Cash and cash equivalents | \$ 29,490 | \$ 28,481 | \$ 26,456 | \$ 3,363 |
| Accounts receivable | - | - | - | - |
| Intergovernmental receivable | 22,073 | 277,916 | - | - |
| Supplies and materials inventory | - | 61,226 | - | - |
| Taxes receivable | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | \$ <u>51,563</u> | \$ <u>367,623</u> | \$ <u>26,456</u> | \$ <u>3,363</u> |
| Liabilities and fund balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 3,463 | \$ 475 | \$ - | \$ 168,606 |
| Accrued wages and benefits | - | 28,080 | - | - |
| Intergovernmental payable | - | 6,877 | - | - |
| Unearned revenue | <u>14,951</u> | <u>184,399</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>18,414</u> | <u>219,831</u> | <u>-</u> | <u>168,606</u> |
| Fund balances: | | | | |
| Reserved for encumbrances | - | 6,579 | - | 25,610 |
| Reserved for inventory | - | 61,226 | - | - |
| Unreserved (deficit); undesignated | <u>33,149</u> | <u>79,987</u> | <u>26,456</u> | <u>(190,853)</u> |
| Total fund balances (deficit) | <u>33,149</u> | <u>147,792</u> | <u>26,456</u> | <u>(165,243)</u> |
| Total liabilities and fund balances | \$ <u>51,563</u> | \$ <u>367,623</u> | \$ <u>26,456</u> | \$ <u>3,363</u> |

| <u>Police Pension</u> | <u>Fire Pension</u> | <u>Law Enforcement Trust</u> | <u>DUI Enforcement & Education</u> | <u>Ambulance Service</u> | <u>Litter Control Grant</u> | <u>COPS</u> |
|-----------------------|---------------------|------------------------------|--|--------------------------|-----------------------------|------------------|
| \$ 7,840 | \$ 49,837 | \$ 8,269 | \$ 37,197 | \$ 84,798 | \$ 57 | \$ 3,093 |
| - | - | - | 100 | - | - | - |
| 3,937 | 3,937 | - | - | - | - | 8,836 |
| - | - | - | - | - | - | - |
| <u>89,981</u> | <u>89,981</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 101,758</u> | <u>\$ 143,755</u> | <u>\$ 8,269</u> | <u>\$ 37,297</u> | <u>\$ 84,798</u> | <u>\$ 57</u> | <u>\$ 11,929</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 117,573 | 136,045 | - | - | - | - | 2,488 |
| - | - | - | - | - | - | 1,128 |
| <u>93,917</u> | <u>93,917</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>211,490</u> | <u>229,962</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,616</u> |
| - | - | 1,200 | - | 2,000 | - | - |
| - | - | - | - | - | - | - |
| <u>(109,732)</u> | <u>(86,207)</u> | <u>7,069</u> | <u>37,297</u> | <u>82,798</u> | <u>57</u> | <u>8,313</u> |
| <u>(109,732)</u> | <u>(86,207)</u> | <u>8,269</u> | <u>37,297</u> | <u>84,798</u> | <u>57</u> | <u>8,313</u> |
| <u>\$ 101,758</u> | <u>\$ 143,755</u> | <u>\$ 8,269</u> | <u>\$ 37,297</u> | <u>\$ 84,798</u> | <u>\$ 57</u> | <u>\$ 11,929</u> |

(Continued)

City Of Bedford Heights, Ohio

Combining Balance Sheet Non-Major Governmental Funds (Continued)

December 31, 2005

| | <u>Commissary</u> | <u>Mayor's Court Computer</u> | <u>Local Law Enforcement Grant</u> | <u>Juvenile Community Diversion</u> | <u>Sobriety Checkpoint and Education</u> | <u>Total Non-Major Governmental Funds</u> |
|---------------------------------------|-------------------|---------------------------------------|--|---|--|---|
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 36,481 | \$ 1,918 | \$ 7,040 | \$ 3,068 | \$ 166 | \$ 327,554 |
| Accounts receivable | - | 85 | - | - | - | 185 |
| Intergovernmental receivable | - | - | - | - | - | 316,699 |
| Supplies and materials inventory | - | - | - | - | - | 61,226 |
| Taxes receivable | - | - | - | - | - | 179,962 |
| Total assets | \$ <u>36,481</u> | \$ <u>2,003</u> | \$ <u>7,040</u> | \$ <u>3,068</u> | \$ <u>166</u> | \$ <u>885,626</u> |
| Liabilities and fund balances: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 2,925 | \$ - | \$ - | \$ - | \$ - | \$ 175,469 |
| Accrued wages and benefits | - | - | - | 548 | - | 284,734 |
| Intergovernmental payable | - | - | - | 100 | - | 8,105 |
| Unearned revenue | - | - | - | - | - | 387,184 |
| Total liabilities | <u>2,925</u> | <u>-</u> | <u>-</u> | <u>648</u> | <u>-</u> | <u>855,492</u> |
| Fund balances: | | | | | | |
| Reserved for encumbrances | 1,008 | - | 4,665 | 2,160 | - | 43,222 |
| Reserved for inventory | - | - | - | - | - | 61,226 |
| Unreserved (deficit); undesignated | <u>32,548</u> | <u>2,003</u> | <u>2,375</u> | <u>260</u> | <u>166</u> | <u>(74,314)</u> |
| Total fund balances (deficit) | <u>33,556</u> | <u>2,003</u> | <u>7,040</u> | <u>2,420</u> | <u>166</u> | <u>30,134</u> |
| Total liabilities and fund balances | \$ <u>36,481</u> | \$ <u>2,003</u> | \$ <u>7,040</u> | \$ <u>3,068</u> | \$ <u>166</u> | \$ <u>885,626</u> |

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City Of Bedford Heights, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Special Revenue Funds

For the Year Ended December 31, 2005

| | State Highway <u>Improvement</u> | Street Maintenance & <u>Repair</u> | Safety Department <u>Equipment</u> | Community Development <u>Block Grant</u> |
|--|--|--|--|--|
| Revenues: | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 41,538 | 597,009 | - | - |
| Licenses and permits | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Miscellaneous income | <u>-</u> | <u>22,636</u> | <u>20,000</u> | <u>78,344</u> |
| Total revenues | <u>41,538</u> | <u>619,645</u> | <u>20,000</u> | <u>78,344</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | - | - | 14,015 | - |
| Community development | - | - | - | 245,817 |
| Basic utility services | - | - | - | - |
| Transportation | 42,833 | 973,095 | - | - |
| General government | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>42,833</u> | <u>973,095</u> | <u>14,015</u> | <u>245,817</u> |
| Excess of revenues (under) expenditures | <u>(1,295)</u> | <u>(353,450)</u> | <u>5,985</u> | <u>(167,473)</u> |
| Other financing sources (uses): | | | | |
| Inception of capital leases | - | 135,856 | - | - |
| Transfers – in | <u>-</u> | <u>235,000</u> | <u>-</u> | <u>50,000</u> |
| Total other financing sources (uses) | <u>-</u> | <u>370,856</u> | <u>-</u> | <u>50,000</u> |
| Net change in fund balances | (1,295) | 17,406 | 5,985 | (117,473) |
| Fund balances (deficit) at beginning of year | <u>34,444</u> | <u>130,386</u> | <u>20,471</u> | <u>(47,770)</u> |
| Fund balances (deficit) at end of year | \$ <u><u>33,149</u></u> | \$ <u><u>147,792</u></u> | \$ <u><u>26,456</u></u> | \$ <u><u>(165,243)</u></u> |

| <u>Police Pension</u> | <u>Fire Pension</u> | <u>Law Enforcement Trust</u> | <u>DUI Enforcement & Education</u> | <u>Ambulance Service</u> | <u>Litter Control Grant</u> | <u>COPS</u> |
|-----------------------|---------------------|------------------------------|--|--------------------------|-----------------------------|-----------------|
| \$ 92,838 | \$ 92,838 | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | 10,807 | 42,954 |
| - | - | - | - | 184,217 | - | - |
| - | - | - | 8,495 | - | - | - |
| - | - | 1,500 | - | - | - | - |
| <u>92,838</u> | <u>92,838</u> | <u>1,500</u> | <u>8,495</u> | <u>184,217</u> | <u>10,807</u> | <u>42,954</u> |
| 455,517 | 463,502 | - | - | 96,613 | - | 65,766 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 17,050 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>455,517</u> | <u>463,502</u> | <u>-</u> | <u>-</u> | <u>96,613</u> | <u>17,050</u> | <u>65,766</u> |
| <u>(362,679)</u> | <u>(370,664)</u> | <u>1,500</u> | <u>8,495</u> | <u>87,604</u> | <u>(6,243)</u> | <u>(22,812)</u> |
| - | - | - | - | - | - | - |
| <u>330,000</u> | <u>355,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,300</u> | <u>25,000</u> |
| <u>330,000</u> | <u>355,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,300</u> | <u>25,000</u> |
| (32,679) | (15,664) | 1,500 | 8,495 | 87,604 | 57 | 2,188 |
| <u>(77,053)</u> | <u>(70,543)</u> | <u>6,769</u> | <u>28,802</u> | <u>(2,806)</u> | <u>-</u> | <u>6,125</u> |
| \$ <u>(109,732)</u> | \$ <u>(86,207)</u> | \$ <u>8,269</u> | \$ <u>37,297</u> | \$ <u>84,798</u> | \$ <u>57</u> | \$ <u>8,313</u> |

(continued)

City Of Bedford Heights, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Special Revenue Funds

For the Year Ended December 31, 2005

| | <u>Commissary</u> | <u>Mayor's Court Computer</u> | <u>Local Law Enforcement Grant</u> | <u>Juvenile Community Diversion</u> | <u>Sobriety Checkpoint and Education</u> | <u>Total Non- Major Governmental Funds</u> |
|--|-------------------------|---------------------------------------|--|---|--|--|
| Revenues: | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 185,676 |
| Intergovernmental | - | - | - | - | - | 692,308 |
| Licenses and permits | - | - | - | - | - | 184,217 |
| Fines and forfeitures | - | 2,795 | - | - | 364 | 11,654 |
| Miscellaneous income | <u>176,709</u> | <u>-</u> | <u>-</u> | <u>12,000</u> | <u>-</u> | <u>311,189</u> |
| Total revenues | <u>176,709</u> | <u>2,795</u> | <u>-</u> | <u>12,000</u> | <u>364</u> | <u>1,385,044</u> |
| Expenditures: | | | | | | |
| Current operations and maintenance: | | | | | | |
| Security of persons and property | 157,319 | - | - | - | - | 1,252,732 |
| Community development | - | - | - | - | - | 245,817 |
| Basic utility services | - | - | - | - | - | 17,050 |
| Transportation | - | - | - | - | - | 1,015,928 |
| General government | <u>-</u> | <u>3,359</u> | <u>-</u> | <u>9,580</u> | <u>198</u> | <u>13,137</u> |
| Total expenditures | <u>157,319</u> | <u>3,359</u> | <u>-</u> | <u>9,580</u> | <u>198</u> | <u>2,544,664</u> |
| Excess of revenues (under) expenditures | <u>19,390</u> | <u>(564)</u> | <u>-</u> | <u>2,420</u> | <u>166</u> | <u>(1,159,620)</u> |
| Other financing sources (uses): | | | | | | |
| Inception of capital leases | - | - | - | - | - | 135,856 |
| Transfers – in | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,001,300</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,137,156</u> |
| Net change in fund balances | 19,390 | (564) | - | 2,420 | 166 | (22,464) |
| Fund balances (deficit) at beginning of year | <u>14,166</u> | <u>2,567</u> | <u>7,040</u> | <u>-</u> | <u>-</u> | <u>52,598</u> |
| Fund balances (deficit) at end of year | \$ <u><u>33,556</u></u> | \$ <u><u>2,003</u></u> | \$ <u><u>7,040</u></u> | \$ <u><u>2,420</u></u> | \$ <u><u>166</u></u> | \$ <u><u>30,134</u></u> |

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

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 1,773,001 | \$ 1,795,000 | \$ 1,789,120 | \$ (5,880) |
| Municipal income taxes | 7,915,000 | 9,111,000 | 8,880,267 | (230,733) |
| Other local taxes | 30,000 | 30,000 | 26,710 | (3,290) |
| Intergovernmental | 714,304 | 768,250 | 761,672 | (6,578) |
| Charges for services | 3,661,903 | 4,105,025 | 4,084,668 | (20,357) |
| Licenses and permits | 184,447 | 256,110 | 249,440 | (6,670) |
| Fines and forfeitures | 209,000 | 211,000 | 202,474 | (8,526) |
| Investment income | 10,000 | 22,000 | 21,130 | (870) |
| Miscellaneous income | 230,700 | 313,200 | 299,326 | (13,874) |
| Total revenues | <u>14,728,355</u> | <u>16,611,585</u> | <u>16,314,807</u> | <u>(296,778)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Police law enforcement | | | | |
| Personal service | 2,689,200 | 2,700,605 | 2,690,098 | 10,507 |
| Travel and education | 44,500 | 42,500 | 40,170 | 2,330 |
| Contractual services | 119,600 | 97,500 | 92,571 | 4,929 |
| Supplies and materials | 134,600 | 153,600 | 145,100 | 8,500 |
| Other expenditures | 500 | 700 | 642 | 58 |
| Total police law enforcement | <u>2,988,400</u> | <u>2,994,905</u> | <u>2,968,581</u> | <u>26,324</u> |
| Corrections facility | | | | |
| Personal service | 1,777,400 | 1,829,450 | 1,826,559 | 2,891 |
| Travel and education | 3,750 | 6,600 | 5,402 | 1,198 |
| Contractual services | 603,100 | 642,500 | 633,340 | 9,160 |
| Supplies and materials | 92,400 | 85,900 | 82,756 | 3,144 |
| Other expenditures | - | 150 | 150 | - |
| Total corrections facility | <u>2,476,650</u> | <u>2,564,600</u> | <u>2,548,207</u> | <u>16,393</u> |
| Police and fire communications | | | | |
| Personal service | 455,100 | 459,925 | 458,320 | 1,605 |
| Travel and education | 1,400 | 600 | 581 | 19 |
| Contractual services | 150 | - | - | - |
| Supplies and materials | 700 | - | - | - |
| Total police and fire communications | <u>457,350</u> | <u>460,525</u> | <u>458,901</u> | <u>1,624</u> |
| Animal control | | | | |
| Contractual services | <u>34,500</u> | <u>35,500</u> | <u>35,069</u> | <u>431</u> |

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund (Continued)

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| Safety director | | | | |
| Personal service | <u>111,010</u> | <u>108,915</u> | <u>107,726</u> | <u>1,189</u> |
| Street lighting | | | | |
| Contractual services | <u>72,500</u> | <u>73,000</u> | <u>72,795</u> | <u>205</u> |
| Traffic lights | | | | |
| Personal service | 26,125 | 25,925 | 24,950 | 975 |
| Supplies and materials | <u>500</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total traffic lights | <u>26,625</u> | <u>25,925</u> | <u>24,950</u> | <u>975</u> |
| Total security of persons and property | <u>6,167,035</u> | <u>6,263,370</u> | <u>6,216,229</u> | <u>47,141</u> |
| Public health and welfare | | | | |
| Assistance to the needy and aged | | | | |
| Personal service | 132,550 | 133,120 | 131,576 | 1,544 |
| Travel and education | 800 | - | - | - |
| Contractual services | 160,200 | 143,550 | 142,624 | 926 |
| Supplies and materials | <u>20,100</u> | <u>22,725</u> | <u>20,868</u> | <u>1,857</u> |
| Total assistance to the needy and aged | <u>313,650</u> | <u>299,395</u> | <u>295,068</u> | <u>4,327</u> |
| County health board | | | | |
| Contractual services | <u>38,500</u> | <u>38,120</u> | <u>38,106</u> | <u>14</u> |
| Total public health and welfare | <u>352,150</u> | <u>337,515</u> | <u>333,174</u> | <u>4,341</u> |
| Leisure time activities | | | | |
| Swimming facilities | | | | |
| Personal service | 61,300 | 76,510 | 76,257 | 253 |
| Contractual services | 26,000 | 23,300 | 20,477 | 2,823 |
| Supplies and materials | 20,200 | 25,760 | 25,157 | 603 |
| Other expenditures | <u>2,450</u> | <u>170</u> | <u>40</u> | <u>130</u> |
| Total swimming facilities | <u>109,950</u> | <u>125,740</u> | <u>121,931</u> | <u>3,809</u> |

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund (Continued)

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| Community center | | | | |
| Personal service | 579,150 | 616,550 | 614,555 | 1,995 |
| Travel and education | 2,800 | 2,200 | 1,961 | 239 |
| Contractual services | 218,300 | 202,200 | 198,680 | 3,520 |
| Supplies and materials | 83,700 | 92,200 | 87,040 | 5,160 |
| Other expenditures | <u>14,200</u> | <u>12,300</u> | <u>11,007</u> | <u>1,293</u> |
| Total community center | <u>898,150</u> | <u>925,450</u> | <u>913,243</u> | <u>12,207</u> |
| Parks and playgrounds | | | | |
| Contractual services | 20,750 | 53,100 | 52,607 | 493 |
| Supplies and materials | <u>8,300</u> | <u>9,350</u> | <u>9,317</u> | <u>33</u> |
| Total parks and playgrounds | <u>29,050</u> | <u>62,450</u> | <u>61,924</u> | <u>526</u> |
| Public recreation | | | | |
| Personal service | 192,809 | 197,602 | 193,572 | 4,030 |
| Travel and education | 800 | 120 | 110 | 10 |
| Contractual services | 39,100 | 53,650 | 52,609 | 1,041 |
| Supplies and materials | 39,950 | 48,350 | 46,356 | 1,994 |
| Other expenditures | <u>1,600</u> | <u>5,605</u> | <u>5,449</u> | <u>156</u> |
| Total public recreation | <u>274,259</u> | <u>305,327</u> | <u>298,096</u> | <u>7,231</u> |
| Total leisure time activities | <u>1,311,409</u> | <u>1,418,967</u> | <u>1,395,194</u> | <u>23,773</u> |
| Community development | | | | |
| Building department | | | | |
| Personal service | 275,850 | 274,780 | 274,170 | 610 |
| Travel and education | 2,975 | 2,200 | 1,994 | 206 |
| Contractual services | 28,900 | 22,900 | 22,120 | 780 |
| Supplies and materials | <u>11,000</u> | <u>8,100</u> | <u>6,400</u> | <u>1,700</u> |
| Total building department | <u>318,725</u> | <u>307,980</u> | <u>304,684</u> | <u>3,296</u> |
| Planning commission | | | | |
| Personal service | 8,380 | 7,890 | 7,360 | 530 |
| Supplies and materials | <u>400</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total planning commission | <u>8,780</u> | <u>7,890</u> | <u>7,360</u> | <u>530</u> |

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund (Continued)

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|----------|---------|---------|---|
| | Original | Final | | |
| Board of zoning appeals | | | | |
| Personal service | 10,661 | 10,661 | 10,450 | 211 |
| Travel and education | 300 | 200 | 180 | 20 |
| Supplies and materials | 300 | 200 | 115 | 85 |
| Total board of zoning appeals | 11,261 | 11,061 | 10,745 | 316 |
| Total community development | 338,766 | 326,931 | 322,789 | 4,142 |
| Basic utility services | | | | |
| Service director | | | | |
| Personal service | 152,830 | 156,830 | 154,702 | 2,128 |
| Travel and education | 6,400 | 7,300 | 6,976 | 324 |
| Contractual services | 750 | 1,200 | 1,032 | 168 |
| Supplies and materials | 500 | 450 | 272 | 178 |
| Other expenditures | 900 | 1,400 | 1,363 | 37 |
| Total service director | 161,380 | 167,180 | 164,345 | 2,835 |
| Sanitary sewers and sewage disposal | | | | |
| Personal service | 86,450 | 80,500 | 78,551 | 1,949 |
| Contractual services | 3,000 | 3,200 | 3,137 | 63 |
| Supplies and materials | 8,500 | 7,300 | 6,777 | 523 |
| Other expenditures | 2,000 | 700 | 468 | 232 |
| Total sanitary sewers and sewage disposal | 99,950 | 91,700 | 88,933 | 2,767 |
| Storm sewers and drains | | | | |
| Personal services | 16,070 | 7,741 | 6,602 | 1,139 |
| Travel and education | 6,800 | 7,600 | 6,637 | 963 |
| Contractual services | 1,700 | - | - | - |
| Supplies and materials | 3,900 | 4,200 | 3,474 | 726 |
| Total storm sewers and drains | 28,470 | 19,541 | 16,713 | 2,828 |
| Refuse collection and disposal | | | | |
| Contractual services | 297,000 | 289,850 | 289,500 | 350 |
| Total basic utility services | 586,800 | 568,271 | 559,491 | 8,780 |

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund (Continued)

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------|----------------|----------------|----------------|---|
| | Original | Final | | |
| Transportation | | | | |
| Sidewalks | | | | |
| Personal services | 7,040 | 12,890 | 12,561 | 329 |
| Supplies and materials | <u>3,500</u> | <u>3,500</u> | <u>3,080</u> | <u>420</u> |
| Total transportation | <u>10,540</u> | <u>16,390</u> | <u>15,641</u> | <u>749</u> |
| General government | | | | |
| Mayor's court | | | | |
| Personal service | 124,050 | 123,950 | 122,467 | 1,483 |
| Travel and education | 300 | 50 | 25 | 25 |
| Contractual services | 133,200 | 136,500 | 136,243 | 257 |
| Supplies and materials | <u>1,800</u> | <u>900</u> | <u>558</u> | <u>342</u> |
| Total mayor's court | <u>259,350</u> | <u>261,400</u> | <u>259,293</u> | <u>2,107</u> |
| Civil service commission | | | | |
| Personal service | 7,740 | 7,390 | 7,331 | 59 |
| Travel and education | 3,000 | 200 | 60 | 140 |
| Contractual services | 10,300 | 27,000 | 26,621 | 379 |
| Supplies and materials | <u>200</u> | <u>200</u> | <u>156</u> | <u>44</u> |
| Total civil service commission | <u>21,240</u> | <u>34,790</u> | <u>34,168</u> | <u>622</u> |
| Mayor's office | | | | |
| Personal service | 149,750 | 153,850 | 153,000 | 850 |
| Travel and education | 14,100 | 8,600 | 8,345 | 255 |
| Contractual services | 4,740 | 4,600 | 3,706 | 894 |
| Supplies and materials | 7,300 | 6,000 | 5,941 | 59 |
| Other expenditures | <u>1,500</u> | <u>1,500</u> | <u>1,030</u> | <u>470</u> |
| Total mayor's office | <u>177,390</u> | <u>174,550</u> | <u>172,022</u> | <u>2,528</u> |
| Legal administration | | | | |
| Personal service | 245,110 | 257,910 | 256,804 | 1,106 |
| Travel and education | 3,000 | 600 | 555 | 45 |
| Supplies and materials | 27,100 | 34,300 | 33,764 | 536 |
| Contractual services | <u>4,300</u> | <u>1,500</u> | <u>1,450</u> | <u>50</u> |
| Total legal administration | <u>279,510</u> | <u>294,310</u> | <u>292,573</u> | <u>1,737</u> |

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund (Continued)

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| Finance administration | | | | |
| Personal service | 336,050 | 334,900 | 333,675 | 1,225 |
| Travel and education | 11,400 | 9,250 | 8,996 | 254 |
| Contractual services | 22,500 | 19,200 | 18,835 | 365 |
| Supplies and materials | 5,700 | 6,600 | 6,499 | 101 |
| Other expenditures | <u>3,500</u> | <u>4,600</u> | <u>4,555</u> | <u>45</u> |
| Total finance administration | <u>379,150</u> | <u>374,550</u> | <u>372,560</u> | <u>1,990</u> |
| Legislative activities | | | | |
| Personal service | 223,975 | 234,475 | 233,263 | 1,212 |
| Travel and education | 19,100 | 16,700 | 16,162 | 538 |
| Contractual services | 31,200 | 25,700 | 23,888 | 1,812 |
| Supplies and materials | <u>5,300</u> | <u>6,000</u> | <u>5,400</u> | <u>600</u> |
| Total legislative activities | <u>279,575</u> | <u>282,875</u> | <u>278,713</u> | <u>4,162</u> |
| Labor relations | | | | |
| Contractual services | <u>60,000</u> | <u>57,000</u> | <u>56,590</u> | <u>410</u> |
| Engineering | | | | |
| Personal service | 49,665 | 47,275 | 47,022 | 253 |
| Supplies and materials | <u>300</u> | <u>300</u> | <u>300</u> | <u>-</u> |
| Total engineering | <u>49,965</u> | <u>47,575</u> | <u>47,322</u> | <u>253</u> |
| Land and buildings | | | | |
| Personal service | 900,410 | 864,810 | 862,119 | 2,691 |
| Contractual services | 480,400 | 477,500 | 468,755 | 8,745 |
| Supplies and materials | <u>109,000</u> | <u>101,000</u> | <u>96,860</u> | <u>4,140</u> |
| Total land and buildings | <u>1,489,810</u> | <u>1,443,310</u> | <u>1,427,734</u> | <u>15,576</u> |
| Tax department | | | | |
| Contractual services | <u>237,000</u> | <u>286,000</u> | <u>284,703</u> | <u>1,297</u> |

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund (Continued)

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Other general government | | | | |
| Personal service | 231,030 | 188,430 | 184,826 | 3,604 |
| Travel and education | 5,400 | 2,600 | 1,566 | 1,034 |
| Contractual services | 173,800 | 176,900 | 174,030 | 2,870 |
| Supplies and materials | 31,450 | 27,350 | 23,382 | 3,968 |
| Other expenditures | <u>34,200</u> | <u>46,700</u> | <u>44,642</u> | <u>2,058</u> |
| Total other general government | <u>475,880</u> | <u>441,980</u> | <u>428,446</u> | <u>13,534</u> |
| Total general government | <u>3,708,870</u> | <u>3,698,340</u> | <u>3,654,124</u> | <u>44,216</u> |
| Capital outlay: | | | | |
| Miscellaneous equipment | <u>89,200</u> | <u>96,100</u> | <u>94,330</u> | <u>1,770</u> |
| Total expenditures | <u>12,564,770</u> | <u>12,725,884</u> | <u>12,590,972</u> | <u>134,912</u> |
| Excess of revenues over (under) expenditures | <u>2,163,585</u> | <u>3,885,701</u> | <u>3,723,835</u> | <u>(161,866)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of equipment | 10,000 | - | - | - |
| Transfers – out | <u>(2,692,370)</u> | <u>(2,640,670)</u> | <u>(2,640,670)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(2,682,370)</u> | <u>(2,640,670)</u> | <u>(2,640,670)</u> | <u>-</u> |
| Net change in fund balance | (518,785) | 1,245,031 | 1,083,165 | (161,866) |
| Fund balance at beginning of year | 2,373,808 | 2,373,808 | 2,373,808 | - |
| Encumbrances at end of year | <u>52,547</u> | <u>52,547</u> | <u>52,547</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>1,907,570</u> | \$ <u>3,671,386</u> | \$ <u>3,509,520</u> | \$ <u>(161,866)</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Fire Levy Fund

For the Year Ended December 31, 2005

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 933,158 | \$ 930,000 | \$ 928,385 | \$ (1,615) |
| Intergovernmental | - | 1,000 | 1,000 | - |
| Miscellaneous income | 18,500 | 20,900 | 19,803 | (1,097) |
| Total revenues | <u>951,658</u> | <u>951,900</u> | <u>949,188</u> | <u>(2,712)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Fire fighting, prevention and inspection | | | | |
| Personal service | 2,285,400 | 2,283,100 | 2,261,047 | 22,053 |
| Travel and education | 12,000 | 12,000 | 9,233 | 2,767 |
| Contractual services | 36,500 | 32,200 | 24,169 | 8,031 |
| Supplies and materials | 66,400 | 49,900 | 40,011 | 9,889 |
| Other expenditures | <u>65,000</u> | <u>36,000</u> | <u>31,670</u> | <u>4,330</u> |
| Total expenditures | <u>2,465,300</u> | <u>2,413,200</u> | <u>2,366,130</u> | <u>47,070</u> |
| Excess of revenues over (under) expenditures | (1,513,642) | (1,461,300) | (1,416,942) | 44,358 |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>1,470,000</u> | <u>1,420,000</u> | <u>1,420,000</u> | <u>-</u> |
| Net change in fund balance | (43,642) | (41,300) | 3,058 | 44,358 |
| Fund balance at beginning of year | 69,813 | 69,813 | 69,813 | - |
| Encumbrances at end of year | <u>9,089</u> | <u>9,089</u> | <u>9,089</u> | <u>-</u> |
| Fund Balance at end of year | \$ <u>35,260</u> | \$ <u>37,602</u> | \$ <u>81,960</u> | \$ <u>44,358</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Debt Service Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|--|-------------------------|--------------------------|--------------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 528,789 | \$ 533,000 | \$ 526,274 | \$ (6,726) |
| Special assessments | 18,000 | 125,000 | 123,450 | (1,550) |
| Investment income | 7,000 | 15,000 | 14,140 | (860) |
| Total revenues | <u>553,789</u> | <u>673,000</u> | <u>663,864</u> | <u>(9,136)</u> |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal retirement | 569,000 | 569,000 | 569,000 | - |
| Interest and fiscal charges | <u>234,600</u> | <u>234,600</u> | <u>232,058</u> | <u>2,542</u> |
| Total expenditures | <u>803,600</u> | <u>803,600</u> | <u>801,058</u> | <u>2,542</u> |
| Excess of revenues over (under) expenditures | (249,811) | (130,600) | (137,194) | (6,594) |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>168,970</u> | <u>168,970</u> | <u>168,970</u> | <u>-</u> |
| Net change in fund balance | (80,841) | 38,370 | 31,776 | (6,594) |
| Fund balance at beginning of year | <u>162,663</u> | <u>162,663</u> | <u>162,663</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>81,822</u></u> | \$ <u><u>201,033</u></u> | \$ <u><u>194,439</u></u> | \$ <u><u>(6,594)</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – Capital Improvements Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance With |
|--|------------------|------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Property taxes | \$ 622,106 | \$ 623,000 | \$ 618,923 | (4,077) |
| Municipal income taxes | - | 100,000 | 100,000 | - |
| Intergovernmental | - | - | - | - |
| Licenses and Permits | 162,200 | 163,200 | 159,782 | (3,418) |
| Investment Income | 42,500 | 96,100 | 93,375 | (2,725) |
| Miscellaneous Income | - | 4,000 | 3,979 | (21) |
| Total revenues | <u>826,806</u> | <u>986,300</u> | <u>976,059</u> | <u>(10,241)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Fire fighting, prevention and inspection | | | | |
| Contractual services | <u>18,000</u> | <u>17,000</u> | <u>16,972</u> | <u>28</u> |
| Public health and welfare | | | | |
| Senior citizens | | | | |
| Contractual services | <u>20,000</u> | <u>17,200</u> | <u>17,187</u> | <u>13</u> |
| Leisure time activities | | | | |
| Community center | | | | |
| Contractual services | <u>85,000</u> | <u>75,500</u> | <u>60,219</u> | <u>15,281</u> |
| General government | | | | |
| Land and buildings | | | | |
| Contractual services | <u>20,000</u> | <u>47,000</u> | <u>46,010</u> | <u>990</u> |
| Capital outlay | | | | |
| Street paving and repair | 800,000 | 815,000 | 695,324 | 119,676 |
| Miscellaneous equipment | 47,500 | 32,000 | 26,734 | 5,266 |
| Land purchases | 62,000 | 20,000 | 20,000 | - |
| Transportation | <u>72,800</u> | <u>97,800</u> | <u>91,012</u> | <u>6,788</u> |
| Total capital outlay | <u>982,300</u> | <u>964,800</u> | <u>833,070</u> | <u>131,730</u> |
| Debt service: | | | | |
| Principal retirement | 400,000 | 400,000 | 400,000 | - |
| Interest and fiscal charges | <u>15,100</u> | <u>15,100</u> | <u>11,840</u> | <u>3,260</u> |
| Total expenditures | <u>1,540,400</u> | <u>1,536,600</u> | <u>1,385,298</u> | <u>151,302</u> |
| Excess of revenues over (under) expenditures | <u>(713,594)</u> | <u>(550,300)</u> | <u>(409,239)</u> | <u>141,061</u> |

(continued)

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – Capital Improvements Fund (continued)

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|--------------------------------------|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Other financing sources (uses): | | | | |
| Proceeds from the sale of notes | 230,000 | 225,000 | 225,000 | - |
| Transfers – in | 160,000 | 160,000 | 160,000 | - |
| Transfers – out | <u>(25,000)</u> | <u>(50,000)</u> | <u>(50,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>365,000</u> | <u>335,000</u> | <u>335,000</u> | <u>-</u> |
| Net change in fund balance | (348,594) | (215,300) | (74,239) | 141,061 |
| Fund balance at beginning of year | 391,140 | 391,140 | 391,140 | - |
| Encumbrances at end of year | <u>86,157</u> | <u>86,157</u> | <u>86,157</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>128,703</u> | \$ <u>261,997</u> | \$ <u>403,058</u> | \$ <u>141,061</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - State Highway Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|--|-----------|-----------|-----------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 35,000 | \$ 43,000 | \$ 39,826 | \$ (3,174) |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Transportation | | | | |
| Traffic control | | | | |
| Contractual services | 3,000 | - | - | - |
| Other expenditure | 2,000 | 1,000 | 396 | 604 |
| Total traffic control | 5,000 | 1,000 | 396 | 604 |
| Street construction, maintenance and repair | | | | |
| Contractual services | 31,000 | 31,000 | 22,062 | 8,938 |
| Snow and ice removal | | | | |
| Supplies and materials | 20,000 | 30,000 | 18,604 | 11,396 |
| Total expenditures | 56,000 | 62,000 | 41,062 | 20,938 |
| Excess of revenues over (under) expenditures | (21,000) | (19,000) | (1,236) | 17,764 |
| Fund balance at beginning of year | 30,726 | 30,726 | 30,726 | - |
| Fund balance at end of year | \$ 9,726 | \$ 11,726 | \$ 29,490 | \$ 17,764 |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Street Construction Maintenance and Repair Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance With |
|---|------------------|------------------|------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ 553,000 | \$ 591,000 | \$ 575,405 | \$ (15,595) |
| Miscellaneous income | 31,000 | 33,550 | 32,586 | (964) |
| Total revenues | <u>584,000</u> | <u>624,550</u> | <u>607,991</u> | <u>(16,559)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Transportation | | | | |
| Traffic control | | | | |
| Personal service | 66,223 | 71,323 | 70,896 | 427 |
| Contractual services | 39,500 | 30,500 | 29,416 | 1,084 |
| Supplies and materials | 10,900 | 9,700 | 8,555 | 1,145 |
| Total traffic control | <u>116,623</u> | <u>111,523</u> | <u>108,867</u> | <u>2,656</u> |
| Street construction, maintenance and repair | | | | |
| Personal service | 277,850 | 275,650 | 272,270 | 3,380 |
| Contractual services | 128,900 | 97,900 | 90,258 | 7,642 |
| Supplies and materials | 79,000 | 96,000 | 88,635 | 7,365 |
| Total street construction, maintenance and repair | <u>485,750</u> | <u>469,550</u> | <u>451,163</u> | <u>18,387</u> |
| Snow and ice removal | | | | |
| Personal service | 77,231 | 112,731 | 109,303 | 3,428 |
| Contractual services | 10,000 | 17,000 | 16,572 | 428 |
| Supplies and materials | 183,000 | 202,000 | 194,368 | 7,632 |
| Other expenditures | - | 7,000 | 6,449 | 551 |
| Total snow and ice removal | <u>270,231</u> | <u>338,731</u> | <u>326,692</u> | <u>12,039</u> |
| Total expenditures | <u>872,604</u> | <u>919,804</u> | <u>886,722</u> | <u>33,082</u> |
| Excess of revenues over (under) expenditures | (288,604) | (295,254) | (278,731) | 16,523 |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>235,000</u> | <u>235,000</u> | <u>235,000</u> | <u>-</u> |
| Net change in fund balance | (53,604) | (60,254) | (43,731) | 16,523 |
| Fund balance at beginning of year | 65,633 | 65,633 | 65,633 | - |
| Encumbrances at end of year | <u>6,579</u> | <u>6,579</u> | <u>6,579</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>18,608</u> | \$ <u>11,958</u> | \$ <u>28,481</u> | \$ <u>16,523</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Safety Department Equipment Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Miscellaneous income | \$ <u>20,000</u> | \$ <u>20,000</u> | \$ <u>20,000</u> | \$ <u>-</u> |
| Expenditures: | | | | |
| Security of persons and property | <u>35,000</u> | <u>35,000</u> | <u>14,015</u> | <u>20,985</u> |
| Net changes in fund balance | (15,000) | (15,000) | 5,985 | 20,985 |
| Fund balance at beginning of year | <u>20,471</u> | <u>20,471</u> | <u>20,471</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>5,471</u> | \$ <u>5,471</u> | \$ <u>26,456</u> | \$ <u>20,985</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Community Development Block Grant Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|--|-------------------|-------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Miscellaneous income | \$ <u>225,000</u> | \$ <u>270,000</u> | \$ <u>91,488</u> | \$ <u>(178,512)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Community development | | | | |
| Contractual services | <u>271,500</u> | <u>343,400</u> | <u>342,703</u> | <u>697</u> |
| Excess of revenues over (under) expenditures | (46,500) | (73,400) | (251,215) | (177,815) |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>25,000</u> | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| Net changes in fund balance | (21,500) | (23,400) | (201,215) | (177,815) |
| Fund balance at beginning of year | 24,596 | 24,596 | 24,596 | - |
| Encumbrances at end of year | <u>179,982</u> | <u>179,982</u> | <u>179,982</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>183,078</u> | \$ <u>181,178</u> | \$ <u>3,363</u> | \$ <u>(177,815)</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Police Pension Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ <u>93,316</u> | \$ <u>95,700</u> | \$ <u>92,838</u> | \$ <u>(2,862)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Police law enforcement | | | | |
| Personal service | <u>425,000</u> | <u>440,000</u> | <u>439,708</u> | <u>292</u> |
| Excess of revenues over (under) expenditures | (331,684) | (344,300) | (346,870) | (2,570) |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>330,000</u> | <u>330,000</u> | <u>330,000</u> | <u>-</u> |
| Net changes in fund balance | (1,684) | (14,300) | (16,870) | (2,570) |
| Fund balance at beginning of year | <u>24,710</u> | <u>24,710</u> | <u>24,710</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>23,026</u> | \$ <u>10,410</u> | \$ <u>7,840</u> | \$ <u>(2,570)</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Fire Pension Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|---|-------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ <u>93,317</u> | \$ <u>95,700</u> | \$ <u>92,838</u> | \$ <u>(2,862)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Fire fighting, prevention and inspection | | | | |
| Personal service | <u>465,000</u> | <u>426,000</u> | <u>425,076</u> | <u>924</u> |
| Excess of revenues over (under) expenditures | (371,683) | (330,300) | (332,238) | (1,938) |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>355,000</u> | <u>355,000</u> | <u>355,000</u> | <u>-</u> |
| Net change in fund balance | (16,683) | 24,700 | 22,762 | (1,938) |
| Fund balance at beginning of year | <u>27,075</u> | <u>27,075</u> | <u>27,075</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>10,392</u></u> | \$ <u><u>51,775</u></u> | \$ <u><u>49,837</u></u> | \$ <u><u>(1,938)</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Law Enforcement Trust Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|-------------------------------------|------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Miscellaneous income | \$ <u>3,800</u> | \$ <u>3,800</u> | \$ <u>1,500</u> | \$ <u>(2,300)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | <u>10,026</u> | <u>10,026</u> | <u>1,200</u> | <u>8,826</u> |
| Net change in fund balance | (6,226) | (6,226) | 300 | 6,526 |
| Fund balance at beginning of year | 6,769 | 6,769 | 6,769 | - |
| Encumbrances at end of year | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>1,743</u></u> | \$ <u><u>1,743</u></u> | \$ <u><u>8,269</u></u> | \$ <u><u>6,526</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - DUI Enforcement and Education Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|-------------------------------------|-------------------------|-------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Fines and forfeitures | \$ <u>5,000</u> | \$ <u>8,500</u> | \$ <u>8,458</u> | \$ <u>(42)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Police law enforcement | | | | |
| Travel and education | <u>12,500</u> | <u>12,500</u> | <u>-</u> | <u>12,500</u> |
| Net change in fund balance | (7,500) | (4,000) | 8,458 | 12,458 |
| Fund balance at beginning of year | <u>28,739</u> | <u>28,739</u> | <u>28,739</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>21,239</u></u> | \$ <u><u>24,739</u></u> | \$ <u><u>37,197</u></u> | \$ <u><u>12,458</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Ambulance Service Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|-------------------------------------|-----------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Licenses and permits | \$ 100,000 | \$ 185,000 | \$ 184,217 | \$ (783) |
| Investment income | <u>300</u> | <u>300</u> | <u>-</u> | <u>(300)</u> |
| Total revenues | <u>100,300</u> | <u>185,300</u> | <u>184,217</u> | <u>(1,083)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Police law enforcement | | | | |
| Contractual services | 140,000 | 145,000 | 144,074 | 926 |
| Other expenditures | <u>-</u> | <u>200</u> | <u>100</u> | <u>100</u> |
| Total expenditures | <u>140,000</u> | <u>145,200</u> | <u>144,174</u> | <u>1,026</u> |
| Net change in fund balance | (39,700) | 40,100 | 40,043 | (57) |
| Fund balance at beginning of year | 42,755 | 42,755 | 42,755 | - |
| Encumbrances at end of year | <u>2,000</u> | <u>2,000</u> | <u>2,000</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>5,055</u> | \$ <u>84,855</u> | \$ <u>84,798</u> | \$ <u>(57)</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Litter Control Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|--------------------|----------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue: | | | | |
| Intergovernmental | <u>12,000</u> | <u>12,000</u> | <u>10,807</u> | <u>(1,193)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Basic utility services | <u>18,000</u> | <u>18,000</u> | <u>17,050</u> | <u>950</u> |
| Excess of revenues over (under) expenditures | (6,000) | (6,000) | (6,243) | (243) |
| Other financing sources (uses): | | | | |
| Transfers – in | \$ <u>6,000</u> | \$ <u>6,300</u> | \$ <u>6,300</u> | \$ <u>-</u> |
| Net changes in fund balance | - | 300 | 57 | (243) |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>-</u></u> | \$ <u><u>300</u></u> | \$ <u><u>57</u></u> | \$ <u><u>(243)</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - COPS Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance With Final Budget Positive (Negative) |
|---|----------------------|------------------------|------------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ <u>35,000</u> | \$ <u>35,400</u> | \$ <u>34,118</u> | \$ <u>(1,282)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Police law enforcement | | | | |
| Personal service | 67,147 | 67,297 | 64,660 | 2,637 |
| Travel and education | <u>500</u> | <u>350</u> | <u>-</u> | <u>350</u> |
| Total expenditures | <u>67,647</u> | <u>67,647</u> | <u>64,660</u> | <u>2,987</u> |
| Excess of revenues over (under) expenditures | (32,647) | (32,247) | (30,542) | 1,705 |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> | <u>-</u> |
| Net change in fund balance | (7,647) | (7,247) | (5,542) | 1,705 |
| Fund balance at beginning of year | <u>8,635</u> | <u>8,635</u> | <u>8,635</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>988</u></u> | \$ <u><u>1,388</u></u> | \$ <u><u>3,093</u></u> | \$ <u><u>1,705</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Commissary Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|-------------------------------------|-------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Investment income | \$ <u>135,000</u> | \$ <u>188,000</u> | \$ <u>176,709</u> | \$ <u>(11,291)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | | | | |
| Support of prisoners | | | | |
| Supplies and materials | \$ <u>80,000</u> | \$ <u>101,000</u> | \$ <u>93,150</u> | \$ <u>7,850</u> |
| Other expenditures | <u>55,000</u> | <u>67,000</u> | <u>62,252</u> | <u>4,748</u> |
| Total expenditures | <u>135,000</u> | <u>168,000</u> | <u>155,402</u> | <u>12,598</u> |
| Net change in fund balance | - | 20,000 | 21,307 | 1,307 |
| Fund balance at beginning of year | 14,166 | 14,166 | 14,166 | - |
| Encumbrances at end of year | <u>1,008</u> | <u>1,008</u> | <u>1,008</u> | - |
| Fund balance at end of year | \$ <u>15,174</u> | \$ <u>35,174</u> | \$ <u>36,481</u> | \$ <u>1,307</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Mayor's Court Computer Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|-------------------------------------|----------------------|---------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Fines and forfeitures | \$ <u>5,000</u> | \$ <u>5,000</u> | \$ <u>2,900</u> | \$ <u>(2,100)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| General government | | | | |
| Mayor's court | | | | |
| Contractual services | <u>6,600</u> | <u>7,300</u> | <u>3,359</u> | <u>3,941</u> |
| Net change in fund balance | (1,600) | (2,300) | (459) | 1,841 |
| Fund balance at beginning of year | <u>2,377</u> | <u>2,377</u> | <u>2,377</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>777</u></u> | \$ <u><u>77</u></u> | \$ <u><u>1,918</u></u> | \$ <u><u>1,841</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Local Law Enforcement Grant Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|--|-------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ <u>20,000</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| Security of persons and property | <u>22,000</u> | <u>5,000</u> | <u>4,665</u> | <u>335</u> |
| Excess of revenues over (under) expenditures | (2,000) | (5,000) | (4,665) | 335 |
| Other financing sources (uses): | | | | |
| Transfers – in | <u>2,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | - | (5,000) | (4,665) | 335 |
| Fund balance at beginning of year | 7,040 | 7,040 | 7,040 | - |
| Encumbrances at end of year | <u>4,665</u> | <u>4,665</u> | <u>4,665</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>11,705</u></u> | \$ <u><u>6,705</u></u> | \$ <u><u>7,040</u></u> | \$ <u><u>335</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – Juvenile Community Diversion Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|-------------------------------------|-----------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ <u>-</u> | \$ <u>12,000</u> | \$ <u>12,000</u> | \$ <u>-</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| General government | | | | |
| Miscellaneous | | | | |
| Personal services | - | 5,400 | 5,156 | 244 |
| Travel and education | - | 2,100 | 1,507 | 593 |
| Supplies and materials | - | 4,500 | 4,429 | 71 |
| Total expenditures | <u>-</u> | <u>12,000</u> | <u>11,092</u> | <u>908</u> |
| Net change in fund balance | - | - | 908 | 908 |
| Fund balance at beginning of year | - | - | - | - |
| Encumbrances at end of year | <u>2,160</u> | <u>2,160</u> | <u>2,160</u> | <u>-</u> |
| Fund balance at end of year | \$ <u>2,160</u> | \$ <u>2,160</u> | \$ <u>3,068</u> | \$ <u>908</u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – Sobriety Checkpoint and Education Fund

For The Year Ended December 31, 2005

| | <u>Budget</u> | | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|-------------------------------------|--------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ <u>-</u> | \$ <u>600</u> | \$ <u>364</u> | \$ <u>(236)</u> |
| Expenditures: | | | | |
| Current operations and maintenance: | | | | |
| General government | | | | |
| Miscellaneous | | | | |
| Supplies and materials | <u>-</u> | <u>400</u> | <u>198</u> | <u>202</u> |
| Net change in fund balance | - | 200 | 166 | (34) |
| Fund balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance at end of year | \$ <u><u>-</u></u> | \$ <u><u>200</u></u> | \$ <u><u>166</u></u> | \$ <u><u>(34)</u></u> |

City of Bedford Heights, Ohio

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - Sewer Treatment Fund

For The Year Ended December 31, 2005

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 2,328,900 | \$ 2,545,900 | \$ 2,501,670 | \$ (44,230) |
| Licenses and permits | 56,000 | 79,000 | 68,000 | (11,000) |
| Investment income | 100 | 2,700 | 2,547 | (153) |
| Miscellaneous income | 11,000 | 16,000 | 11,553 | (4,447) |
| Total revenues | <u>2,396,000</u> | <u>2,643,600</u> | <u>2,583,770</u> | <u>(59,830)</u> |
| Expenses: | | | | |
| Current operations and maintenance: | | | | |
| Personal service | 1,578,983 | 1,550,378 | 1,504,949 | 45,429 |
| Travel and education | 16,450 | 15,450 | 10,658 | 4,792 |
| Contractual services | 666,200 | 693,400 | 652,436 | 40,964 |
| Supplies and materials | 146,400 | 183,450 | 170,597 | 12,853 |
| Debt service: | | | | |
| Principal | 195,000 | 195,000 | 195,000 | - |
| Interest and fiscal charges | 47,200 | 47,200 | 47,178 | 22 |
| Capital outlay | - | - | - | - |
| Total expenses | <u>2,650,233</u> | <u>2,684,878</u> | <u>2,580,818</u> | <u>104,060</u> |
| Excess of revenues over (under) expenses | (254,233) | (41,278) | 2,952 | 44,230 |
| Other financing sources (uses): | | | | |
| Transfers – out | <u>(59,600)</u> | <u>(59,600)</u> | <u>(59,600)</u> | <u>-</u> |
| Net change in fund balance | (313,833) | (100,878) | (56,648) | 44,230 |
| Fund balance at beginning of year | 254,457 | 254,457 | 254,457 | - |
| Encumbrances at end of year | <u>8,522</u> | <u>8,522</u> | <u>8,522</u> | <u>-</u> |
| Fund Balance at end of year | \$ <u>(50,854)</u> | \$ <u>162,101</u> | \$ <u>206,331</u> | \$ <u>44,230</u> |

City of Bedford Heights, Ohio

Agency Funds

Glenwillow Sanitary Sewer Maintenance and Repair Fund

To account for proceeds from Glenwillow Sewer user fees collected and used for maintenance and repair of Glenwillow Sanitary Sewers that are tied into the City of Bedford Heights' Waste Water System.

Mayor's Court Fund

To account for the collection and distribution of court fines and forfeitures.

City of Bedford Heights, Ohio

Combining Statement of Assets and Liabilities – All Agency Funds

December 31, 2005

| | Glenwillow Sanitary Sewer Maintenance and Repair | Mayor's Court | Total |
|---------------------------|---|------------------|------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ <u>2,123</u> | \$ <u>12,556</u> | \$ <u>14,679</u> |
| Liabilities: | | | |
| Intergovernmental payable | \$ <u>2,123</u> | \$ <u>12,556</u> | \$ <u>14,679</u> |

City of Bedford Heights, Ohio

Combining Statement of Assets and Liabilities – All Agency Funds

For The Year Ended December 31, 2005

| | Balance January 1, <u>2005</u> | <u>Additions</u> | <u>Deductions</u> | Balance December 31, <u>2005</u> |
|--|--------------------------------------|-------------------|---------------------|--|
| Glenwillow sanitary sewer maintenance and repair fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>4,499</u> | \$ <u>7,088</u> | \$ <u>(9,464)</u> | \$ <u>2,123</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ <u>4,499</u> | \$ <u>7,088</u> | \$ <u>(9,464)</u> | \$ <u>2,123</u> |
| Mayor's court fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>17,453</u> | \$ <u>327,123</u> | \$ <u>(332,020)</u> | \$ <u>12,556</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ 640 | \$ 220,428 | \$ (208,512) | \$ 12,556 |
| Due to others | <u>16,813</u> | <u>106,695</u> | <u>(123,508)</u> | <u>-</u> |
| Total liabilities | \$ <u>17,453</u> | \$ <u>327,123</u> | \$ <u>(332,020)</u> | \$ <u>12,556</u> |
| Total all agency funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>21,952</u> | \$ <u>334,211</u> | \$ <u>(341,484)</u> | \$ <u>14,679</u> |
| Liabilities: | | | | |
| Intergovernmental payable | \$ 5,139 | \$ 227,516 | \$ (217,976) | \$ 14,679 |
| Due to others | <u>16,813</u> | <u>106,695</u> | <u>(123,508)</u> | <u>-</u> |
| Total liabilities | \$ <u>21,952</u> | \$ <u>334,211</u> | \$ <u>(341,484)</u> | \$ <u>14,679</u> |

City of Bedford Heights, Ohio

Governmental Activities Revenues by Source and Expenses by Function

Last Three Years

Table 1

| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|----------------------|----------------------|----------------------|
| Program revenues: | | | |
| Charges for services | \$ 5,228,023 | \$ 3,857,814 | \$ 3,187,302 |
| Operating grants and contributions | 91,981 | 69,160 | 193,253 |
| Capital grants and contributions | - | 1,299,573 | 279,215 |
| General revenues: | | | |
| Property taxes | 3,928,562 | 4,222,238 | 4,048,224 |
| Municipal taxes | 8,793,132 | 8,747,883 | 8,088,759 |
| Grants and entitlements not restricted to specific programs | 1,347,948 | 1,395,309 | 1,459,130 |
| Investment earnings | 148,505 | 58,789 | 45,097 |
| Miscellaneous income and transfers | 84,687 | 494,516 | 144,217 |
| Total | \$ <u>19,622,838</u> | \$ <u>20,145,282</u> | \$ <u>17,445,197</u> |
| Expenses: | | | |
| General government | \$ 4,242,177 | \$ 3,457,529 | \$ 3,706,046 |
| Security of persons and property | 10,151,220 | 9,114,502 | 9,011,478 |
| Public health and welfare | 365,842 | 326,601 | 351,341 |
| Transportation | 730,428 | 1,131,751 | 1,427,498 |
| Leisure time activities | 1,674,142 | 1,119,587 | 675,173 |
| Community development | 545,634 | 1,082,921 | 467,832 |
| Basic utility services | 682,991 | 519,054 | 1,935,912 |
| Interest and fiscal charges | 248,915 | 465,715 | 322,093 |
| Total | \$ <u>18,641,349</u> | \$ <u>17,219,660</u> | \$ <u>17,897,373</u> |

Source: City of Bedford Heights, Finance Department

City of Bedford Heights, Ohio

General Governmental Expenditures by Program

December 31, 2005

Table 2

| <u>Fiscal Year</u> | <u>Security of Persons and Property</u> | <u>Public Health and Welfare</u> | <u>Leisure Time Activities</u> | <u>Community Development</u> | <u>Basic Utility Services</u> | <u>Transportation</u> | <u>General Government</u> | <u>Capital Outlay</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|---|----------------------------------|--------------------------------|------------------------------|-------------------------------|-----------------------|---------------------------|-----------------------|---------------------|---------------|
| 1996 | \$ 4,739,840 | \$ 436,300 | \$ 834,089 | \$ 564,487 | \$ 563,824 | \$ 1,436,150 | \$ 4,092,421 | \$ 726,633 | \$ 1,339,852 | \$ 14,722,077 |
| 1997 | 5,144,585 | 319,492 | 988,268 | 387,383 | 477,459 | 1,043,380 | 3,047,498 | 1,365,268 | 1,197,010 | 13,970,343 |
| 1998 | 5,572,926 | 312,783 | 926,855 | 408,187 | 547,323 | 2,212,457 | 3,257,281 | 29,211 | 1,057,168 | 14,324,191 |
| 1999 | 6,572,585 | 344,962 | 1,016,682 | 417,625 | 557,543 | 1,796,990 | 3,507,026 | 934,360 | 857,931 | 16,005,704 |
| 2000 | 6,238,277 | 291,131 | 1,206,713 | 449,488 | 602,356 | 1,326,187 | 3,642,081 | 1,469,223 | 644,867 | 15,870,323 |
| 2001 | 6,292,833 | 368,465 | 1,266,381 | 480,879 | 632,132 | 1,059,464 | 3,959,028 | 1,741,834 | 677,935 | 16,478,951 |
| 2002 | 6,929,512 | 398,598 | 1,193,662 | 449,551 | 840,678 | 1,404,293 | 3,702,698 | 683,252 | 611,745 | 16,213,989 |
| 2003 | 8,676,087 | 353,262 | 1,236,545 | 675,173 | 510,549 | 1,267,914 | 3,495,726 | 1,290,015 | 674,765 | 18,180,036 |
| 2004 | 9,075,578 | 327,778 | 1,257,821 | 1,088,902 | 548,711 | 1,230,116 | 3,557,985 | 1,602,374 | 2,246,720 | 20,935,985 |
| 2005 | 9,987,413 | 400,997 | 1,456,808 | 584,070 | 573,799 | 1,031,746 | 3,772,957 | 936,614 | 812,807 | 19,557,211 |

All governmental fund types, modified accrual basis

City of Bedford Heights, Ohio

General Governmental Revenues by Source

December 31, 2005

Table 3

| <u>Year</u> | <u>Taxes</u> | <u>Inter-Governmental</u> | <u>Charges For Services</u> | <u>Licenses And Permits</u> | <u>Fines And Forfeitures</u> | <u>Special Assessments</u> | <u>Investment Income</u> | <u>Miscellaneous</u> | <u>Total</u> |
|-------------|---------------|---------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|--------------------------|----------------------|---------------|
| 1996 | \$ 11,774,969 | \$ 1,252,098 | \$ 161,016 | \$ 196,206 | \$ 201,243 | \$ 428,178 | \$ 142,096 | \$ 963,154 | \$ 15,118,960 |
| 1997 | 11,927,965 | 1,171,102 | 189,600 | 245,270 | 123,755 | 413,366 | 150,896 | 617,470 | 14,839,424 |
| 1998 | 11,722,631 | 1,544,997 | 181,265 | 342,361 | 151,385 | 412,292 | 212,218 | 905,479 | 15,472,628 |
| 1999 | 11,875,262 | 1,340,898 | 186,145 | 325,840 | 153,659 | 103,609 | 237,207 | 700,335 | 14,922,955 |
| 2000 | 10,929,762 | 1,331,276 | 180,479 | 430,601 | 187,329 | 106,370 | 317,823 | 622,575 | 14,106,215 |
| 2001 | 12,355,267 | 1,562,972 | 200,683 | 416,976 | 174,019 | 96,371 | 237,736 | 493,068 | 15,537,092 |
| 2002 | 12,035,373 | 1,617,799 | 213,785 | 686,402 | 161,017 | 30,238 | 96,895 | 464,980 | 15,306,489 |
| 2003 | 12,378,703 | 1,558,895 | 2,412,516 | 448,815 | 168,426 | 38,438 | 45,097 | 605,337 | 17,656,227 |
| 2004 | 12,485,390 | 2,751,367 | 3,079,438 | 454,781 | 218,887 | 10,350 | 58,789 | 685,538 | 19,744,540 |
| 2005 | 13,158,363 | 1,458,915 | 3,758,055 | 591,367 | 207,565 | 123,450 | 148,505 | 623,073 | 20,069,293 |

All governmental fund types, modified accrual basis

City of Bedford Heights, Ohio

General Governmental Tax Revenues by Source

December 31, 2005

Table 3-A

| <u>Fiscal Year</u> | <u>Property Taxes</u> | <u>Municipal Income Tax</u> | <u>Other Local Taxes</u> | <u>Total</u> |
|--------------------|-----------------------|---------------------------------|------------------------------|---------------|
| 1996 | \$ 3,729,932 | \$ 7,967,528 | \$ 77,509 | \$ 11,774,969 |
| 1997 | 3,590,440 | 8,296,301 | 41,224 | 11,927,965 |
| 1998 | 3,160,109 | 8,524,195 | 38,327 | 11,722,631 |
| 1999 | 3,249,110 | 8,566,389 | 59,763 | 11,875,262 |
| 2000 | 1,988,567 | 8,877,355 | 63,840 | 10,929,762 |
| 2001 | 3,576,428 | 8,721,195 | 57,644 | 12,355,267 |
| 2002 | 3,542,764 | 8,444,839 | 47,770 | 12,035,373 |
| 2003 | 3,959,669 | 8,382,406 | 36,628 | 12,378,703 |
| 2004 | 4,077,069 | 8,387,988 | 20,333 | 12,485,390 |
| 2005 | 4,048,378 | 9,083,275 | 26,710 | 13,158,363 |

All governmental fund types, modified accrual basis

City of Bedford Heights, Ohio

Real Property Tax Levies and Collections

December 31, 2005

Table 4

| <u>Collection Year</u> | <u>Current Tax Levy</u> | <u>Current Tax Collections</u> | <u>Percent of Current Taxes Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> | <u>Ratio of Total Tax Collections To Current Tax Levy</u> | <u>Current Delinquent Taxes</u> | <u>Accumulated Delinquent Taxes</u> |
|------------------------|-------------------------|--------------------------------|---|-----------------------------------|------------------------------|---|---------------------------------|-------------------------------------|
| 1996 | \$ 2,157,822 | \$ 2,104,300 | 97.5 % | \$ 62,193 | \$ 2,166,493 | 1.004 | \$ 25,655 | \$ 115,678 |
| 1997 | 2,300,792 | 2,109,717 | 91.7 | 65,391 | 2,175,108 | .945 | 60,869 | 98,210 |
| 1998 | 2,393,420 | 2,207,537 | 92.2 | 51,154 | 2,258,691 | .944 | 62,477 | 103,209 |
| 1999 | 2,438,661 | 2,171,380 | 89.0 | 53,763 | 2,225,143 | .912 | 73,454 | 119,606 |
| 2000 | 2,453,976 | 2,130,698 | 86.8 | 71,091 | 2,201,789 | .897 | 94,588 | 140,893 |
| 2001 | 2,641,971 | 2,444,198 | 92.5 | 99,375 | 2,543,573 | .962 | 141,624 | 200,927 |
| 2002 | 2,671,676 | 2,448,976 | 91.7 | 143,103 | 2,592,079 | .970 | 217,690 | 320,479 |
| 2003 | 3,003,452 | 2,764,967 | 92.1 | 200,005 | 2,964,972 | .987 | 230,987 | 413,103 |
| 2004 | 3,154,262 | 2,885,639 | 91.5 | 162,232 | 3,047,871 | .966 | 296,254 | 445,198 |
| 2005 | 3,186,836 | 2,803,824 | 87.98 | 201,094 | 3,004,918 | .943 | 233,928 | 352,758 |

SOURCE: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Tangible Personal Property Tax Levies and Collections

December 31, 2005

Table 4-A

| <u>Collection Year</u> | <u>Current Tax Levy</u> | <u>Current Tax Collections</u> | <u>Percent of Current Taxes Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> | <u>Ratio of Total Tax Collections To Current Tax Levy</u> | <u>Current Delinquent Taxes</u> | <u>Accumulated Delinquent Taxes</u> |
|------------------------|-------------------------|--------------------------------|---|-----------------------------------|------------------------------|---|---------------------------------|-------------------------------------|
| 1996 | \$ 1,024,136 | \$ 1,000,608 | 97.7 | \$ 35,284 | \$ 1,035,892 | 1.011 % | \$ 13,528 | \$ 46,605 |
| 1997 | 991,649 | 917,307 | 92.5 | 199,471 | 1,116,778 | 1.126 | 13,266 | 27,857 |
| 1998 | 937,622 | 860,516 | 91.8 | 20,046 | 880,562 | 0.939 | 9,857 | 59,014 |
| 1999 | 972,992 | 879,886 | 90.4 | 61,075 | 940,961 | 0.967 | 5,686 | 32,191 |
| 2000 | 893,942 | 798,699 | 89.3 | 35,052 | 833,751 | 0.933 | 58,147 | 142,431 |
| 2001 | 930,491 | 886,368 | 95.2 | 140,578 | 1,026,946 | 1.000 | 44,188 | 57,885 |
| 2002 | 862,173 | 835,045 | 96.0 | 80,077 | 915,122 | 1.000 | 27,128 | 83,546 |
| 2003 | 989,804 | 964,198 | 97.4 | 4,029 | 968,227 | 0.970 | 25,606 | 40,805 |
| 2004 | 1,005,168 | 963,690 | 95.9 | 35,769 | 999,459 | 0.994 | 41,542 | 135,589 |
| 2005 | 1,010,818 | 993,256 | 98.3 | 16,170 | 1,009,426 | 0.999 | 17,634 | 108,214 |

SOURCE: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Assessed Valuations and Estimated True Values

December 31, 2005

Table 5

| Tax Year | Real Property (1) | | Personal Property (2) | | Public Utility Property (3) | | Total | |
|-------------|-------------------|-------------------------|-----------------------|-------------------------|-----------------------------|-------------------------|-------------------|-------------------------|
| | Assessed Value | Estimated True Value | Assessed Value | Estimated True Value | Assessed Value | Estimated True Value | Assessed Value | Estimated True Value |
| 1996 | \$ 173,693,510 | \$ 496,267,171 | \$ 82,694,291 | \$ 330,777,164 | \$ 9,243,640 | \$ 10,504,136 | \$ 265,631,441 | \$ 837,548,471 |
| 1997 | 171,962,370 | 491,321,057 | 84,511,322 | 338,045,288 | 9,467,090 | 10,758,057 | 265,940,782 | 840,124,402 |
| 1998 | 183,750,270 | 525,000,771 | 71,709,659 | 286,838,636 | 9,580,620 | 10,887,068 | 265,040,549 | 822,726,475 |
| 1999 | 185,126,960 | 528,934,172 | 73,797,724 | 295,190,896 | 8,787,920 | 9,986,273 | 267,712,604 | 834,111,341 |
| 2000 | 211,862,770 | 605,322,200 | 70,762,821 | 238,051,284 | 8,597,150 | 9,769,489 | 291,222,741 | 898,142,973 |
| 2001 | 215,690,920 | 619,116,914 | 78,483,159 | 313,932,636 | 6,940,000 | 7,886,363 | 301,114,079 | 940,935,913 |
| 2002 | 222,206,660 | 634,876,171 | 71,767,144 | 287,068,576 | 6,422,520 | 7,298,318 | 300,396,324 | 954,205,549 |
| 2003 | 236,562,720 | 675,893,486 | 76,452,960 | 332,404,173 | 6,661,320 | 7,569,682 | 319,677,000 | 1,015,867,341 |
| 2004 | 237,163,630 | 677,610,371 | 77,135,490 | 335,371,696 | 6,671,780 | 7,581,568 | 320,970,900 | 1,020,563,625 |
| 2005 | 236,817,590 | 676,621,686 | 76,532,016 | 332,747,896 | 6,419,870 | 7,295,307 | 319,769,476 | 1,016,664,889 |

(1) Total real property assessed value is 35% of estimated true value.

(2) Total personal property assessed value was 25% for capital assets and 24% for inventory for tangible personal.

(3) Total public utility property assessed value is 88% of estimated true value.

Source: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Property Tax Rates – Direct and Overlapping Governments

December 31, 2005

Table 6

| Fiscal Year | Total City Millage | Total County Millage | Total Bedford School Millage | Total Orange School Millage | Total City, County and Bedford School | Total City, County and Orange School |
|-------------|--------------------|----------------------|------------------------------|-----------------------------|---------------------------------------|--------------------------------------|
| 1995 | \$ 12.00 | \$ 16.60 | \$ 57.60 | \$ 68.20 | \$ 86.20 | \$ 96.80 |
| 1996 | 12.00 | 16.60 | 57.60 | 68.20 | 86.20 | 96.80 |
| 1997 | 12.00 | 16.60 | 57.60 | 68.20 | 86.20 | 96.80 |
| 1998 | 12.00 | 13.75 | 57.70 | 71.50 | 83.45 | 97.25 |
| 1999 | 12.00 | 13.75 | 62.60 | 71.50 | 88.35 | 97.25 |
| 2000 | 12.00 | 14.65 | 62.50 | 81.10 | 92.10 | (1) 110.70 (1) |
| 2002 | 12.00 | 14.65 | 62.50 | 81.10 | 92.10 | (1) 110.70 (1) |
| 2003 | 13.00 | 14.65 | 62.50 | 81.10 | 93.10 | (1) 111.70 (1) |
| 2004 | 13.00 | 13.52 | 62.50 | 81.10 | 91.97 | (1) 110.57 (1) |
| 2005 | 13.00 | 13.52 | 67.40 | 86.10 | 97.77 | (2) 112.62 (2) |

(1) Includes Metropark and Library Millage of 1.55 and 1.40, respectively.

(2) Includes Metropark and Library Millage of 1.85 and 2.00, respectively.

Source: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Principal Taxpayers – Real Property (1)

December 31, 2005

Table 7

| <u>Taxpayer</u> | <u>Assessed Valuation</u> | <u>Percentage of Total Assessed Real Property</u> | <u>Percentage of Total Assessed Valuation</u> |
|--|-------------------------------|---|---|
| Riser Foods Company | \$ 6,650,000 | 2.81% | 2.08% |
| Weston, Inc. | 3,702,650 | 1.56 | 1.16 |
| Southgate Towers, LLC | 3,434,935 | 1.45 | 1.07 |
| Mayfred Co. | 3,236,835 | 1.37 | 1.01 |
| South Pointe Towers, LTD | 3,145,100 | 1.33 | 0.98 |
| JE & MT Corp. | 2,598,225 | 1.10 | 0.81 |
| Colson, William P. | 2,166,430 | 0.91 | 0.68 |
| Naiman Richmond Properties, Ltd. | 1,879,150 | 0.79 | 0.59 |
| Dandar Investment Co., LLC | 1,712,865 | 0.72 | 0.56 |
| Allan United Steel Corp. | <u>1,508,710</u> | <u>0.64</u> | <u>0.45</u> |
| | \$ <u>30,034,900</u> | <u>12.68%</u> | <u>9.39%</u> |
| Total Real Property Assessed Valuation | \$ <u>236,817,590</u> | | |

Source: Cuyahoga County Auditor

(1) Excludes Public Utilities

City of Bedford Heights, Ohio

Principal Taxpayers – Personal Property (1)

December 31, 2005

Table 7-A

| <u>Taxpayer</u> | <u>Assessed Valuation</u> | <u>Percentage of Total Assessed Personal Property</u> | <u>Percentage of Total Assessed Valuation</u> |
|--|-------------------------------|---|---|
| Riser Foods Company | \$ 8,213,880 | 10.73% | 2.57% |
| Majestic Steel USA, Inc. | 5,194,580 | 6.79 | 1.62 |
| AM Castle & Co.. | 4,808,650 | 6.28 | 1.50 |
| Olympic Steel, Inc. | 4,126,820 | 5.39 | 1.29 |
| American Spring Wire Corp. | 4,005,030 | 5.23 | 1.25 |
| Sherwin Williams Co. | 3,691,130 | 4.82 | 1.15 |
| Illinois Toolworks, Inc. | 3,530,340 | 4.61 | 1.10 |
| Weyerhaeuser Co. | 3,072,860 | 4.02 | 0.96 |
| Earl M. Jorgenson Co. | 2,569,360 | 3.36 | 0.80 |
| Sysco Food Services of Cleveland, Inc. | <u>2,559,760</u> | <u>3.34</u> | <u>0.80</u> |
| | \$ <u>41,772,410</u> | <u>54.57%</u> | <u>13.04%</u> |
| Total Personal Property Assessed Valuation | \$ <u>76,532,016</u> | | |

Source: Cuyahoga County Auditor

(1) Excludes Public Utilities

City of Bedford Heights, Ohio

Principal Taxpayers – Public Utility Property

December 31, 2005

Table 7-B

| <u>Taxpayer</u> | <u>Assessed Valuation</u> | <u>Percentage of Total Assessed Utility Property</u> | <u>Percentage of Total Assessed Valuation</u> |
|--|-------------------------------|--|---|
| Cleveland Electric Illuminating Co. | \$ 2,989,452 | 46.57% | 0.93% |
| The Ohio Bell Telephone Company | 1,082,100 | 16.86 | 0.34 |
| East Ohio Gas | <u>368,390</u> | <u>5.74</u> | <u>0.12</u> |
| | \$ <u>4,439,942</u> | <u>69.17%</u> | <u>1.39%</u> |
| Total Public Utility Property Assessed Valuation | \$ <u>6,419,870</u> | | |

Source: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Special Assessment Collections

December 31, 2005

Table 8

| <u>Collection Year</u> | <u>Special Assessment Billings</u> | <u>Special Assessment Collected</u> | <u>Percent of Current Assessments Collected</u> | <u>Delinquent Assessments Collected</u> | <u>Total Special Assessments Collected</u> | <u>Ratio of Percent of Collections To Amount Billed</u> | <u>Current Delinquent Assessments</u> | <u>Accumulated Delinquent Assessments</u> |
|------------------------|------------------------------------|-------------------------------------|---|---|--|---|---------------------------------------|---|
| 1996 | \$ 408,187 | \$ 402,192 | 98.5 % | \$ 5,060 | \$ 407,252 | 99.8 % | \$ 5,994 | \$ 133,836 |
| 1997 | 408,427 | 395,203 | 96.8 | 665 | 395,868 | 96.9 | 13,475 | 129,933 |
| 1998 | 407,800 | 400,429 | 98.2 | 7,655 | 408,084 | 100.1 | 7,371 | 134,126 |
| 1999 | 103,531 | 98,287 | 94.9 | 1,332 | 99,619 | 96.2 | 5,243 | 152,646 |
| 2000 | 103,531 | 99,263 | 95.9 | 5,159 | 104,422 | 100.9 | 4,268 | 77,339 |
| 2001 | 91,938 | 92,863 | 100.0 | 5,651 | 98,513 | 100.0 | 9,771 | 202,251 |
| 2002 | 27,367 | 25,120 | 92.0 | 3,276 | 28,396 | 103.0 | 2,247 | 204,412 |
| 2003 | 27,641 | 27,641 | 100.0 | 2,247 | 29,888 | 108.1 | - | 79,177 |
| 2004 | 21,216 | 18,994 | 89.5 | - | 18,994 | 89.5 | 2,566 | 86,557 |
| 2005 | 17,984 | 17,984 | 100.0 | 3,346 | 21,329 | 118.6 | - | 80,342 |

Source: Cuyahoga County Auditor

City of Bedford Heights, Ohio

Ratio of Net General Obligation Debt to Assessed Value and Net Debt Per Capita

December 31, 2005

Table 9

| <u>Fiscal Year</u> | <u>Population (1)</u> | <u>Assessed Value (2)</u> | <u>Gross Debt</u> | <u>Less Debt Service Funds</u> | <u>Net Debt</u> | <u>Ratio of Net Debt To Assessed Value</u> | <u>Net Debt Per Capita</u> |
|--------------------|-----------------------|---------------------------|-------------------|--------------------------------|-----------------|--|----------------------------|
| 1996 (3) | 12,131 | 265,631,441 | 9,755,000 | 554,304 | 9,200,696 | 3.46 | 758.44 |
| 1997 (3) | 12,131 | 265,940,782 | 8,832,500 | 611,063 | 8,221,437 | 3.10 | 677.73 |
| 1998 (3) | 12,131 | 265,040,549 | 8,425,000 | 473,370 | 7,951,630 | 3.00 | 666.33 |
| 1999 (3) | 12,131 | 267,712,604 | 8,135,000 | 366,698 | 7,768,302 | 2.90 | 640.37 |
| 2000 (3) | 11,375 | 291,222,741 | 7,520,000 | 176,313 | 7,343,687 | 2.52 | 645.60 |
| 2001 (3) | 11,375 | 301,114,079 | 8,265,000 | 81,197 | 8,183,803 | 2.72 | 719.45 |
| 2002 (3) | 11,375 | 300,396,324 | 7,565,000 | 59,115 | 7,505,885 | 2.50 | 659.86 |
| 2003 (3) | 11,375 | 319,677,000 | 8,715,000 | 132,195 | 8,582,805 | 2.68 | 754.53 |
| 2004 (3) | 11,375 | 320,970,900 | 7,157,000 | 162,661 | 6,994,339 | 2.18 | 614.88 |
| 2005 (3) | 11,375 | 319,769,476 | 6,218,000 | 194,437 | 6,023,563 | 1.88 | 529.54 |

(1) – Source: U.S. Census Bureau

(2) – Source: Cuyahoga County Auditor

(3) – Accrual Basis

City of Bedford Heights, Ohio

Legal Debt Margin

December 31, 2005

Table 10

| | | |
|---|------------------|-----------------------|
| Total assessed valuation | | \$ <u>319,769,476</u> |
| Overall debt limitation – 10.5% of assessed valuation | | \$ 33,575,795 |
| Gross indebtedness (notes and bonds) | \$ 6,218,000 | |
| Less debt not subject to limitation | <u>(18,000)</u> | |
| Debt within 10.5% limitation | 6,200,000 | |
| Less: amount available in debt service funds | <u>(194,437)</u> | |
| Net debt within 10.5% limitation | | <u>6,005,563</u> |
| Legal debt margin within 10.5% limitation | | \$ <u>27,570,232</u> |
| ***** | | |
| Unvoted debt limitation – 5.5% of assessed valuation | | \$ 17,587,321 |
| Gross indebtedness (notes and bonds) | \$ 6,218,000 | |
| Less debt not subject to limitation | <u>(18,000)</u> | |
| Debt within 5.5% limitation | 6,200,000 | |
| Less: amount available in debt service funds | <u>(194,437)</u> | |
| Net debt within 5.5% limitation | | <u>6,005,563</u> |
| Legal debt margin within 5.5% limitation | | \$ <u>11,581,758</u> |

City of Bedford Heights, Ohio

Computation of Direct and Overlapping Debt – General Obligation Debt

December 31, 2005

Table 11

| <u>Jurisdiction</u> | <u>Net General Obligation Debt Outstanding (1)</u> | <u>Percentage Applicable to Government</u> | <u>Amount Applicable to Government</u> |
|----------------------------|--|--|--|
| <u>Direct:</u> | | | |
| City of Bedford Heights | \$ 6,005,563 | 100.00% | \$ 6,005,563 |
| <u>Overlapping:</u> | | | |
| Cuyahoga County | 231,365,971 | 1.04% | 2,406,206 |
| Regional Transit Authority | 139,790,000 | 1.04% | 1,453,816 |
| Bedford School District | 7,833,300 | 30.87% | 2,418,140 |
| Orange School District | <u>27,593,219</u> | 5.75% | <u>1,586,610</u> |
| Total Overlapping Debt | <u>406,582,490</u> | | <u>7,864,772</u> |
| Total | \$ <u>412,588,053</u> | | \$ <u>13,870,335</u> |

Source: Cuyahoga County Auditor

- (1) Net general obligation debt outstanding equals the amount of general obligation bonds and notes outstanding minus the debt service fund balance available to pay non-special assessment general obligation debt.

City of Bedford Heights, Ohio

Ratio of Annual Debt Service For General Bonded Debt to Total General Governmental Expenditures

December 31, 2005

Table 12

| <u>Fiscal Year</u> | <u>(1) General Obligation Principal</u> | <u>General Obligation Interest</u> | <u>Debt Service On General Bonded Debt</u> | <u>(2) General Governmental Expenditures</u> | <u>Ratio</u> |
|--------------------|---|--|--|--|--------------|
| 1996 | \$ 432,500 | \$ 506,244 | \$ 938,744 | \$ 14,719,920 | 6.38% |
| 1997 | 447,500 | 480,341 | 927,841 | 13,970,343 | 6.64% |
| 1998 | 477,500 | 453,081 | 930,581 | 14,324,191 | 6.50% |
| 1999 | 545,000 | 457,388 | 1,002,388 | 16,005,704 | 6.26% |
| 2000 | 565,000 | 426,210 | 991,210 | 15,870,323 | 6.25% |
| 2001 | 605,000 | 397,843 | 1,002,843 | 16,478,951 | 6.09% |
| 2002 | 640,000 | 366,743 | 1,006,743 | 16,213,989 | 6.21% |
| 2003 | 500,000 | 332,975 | 832,975 | 18,180,036 | 4.58% |
| 2004 | 1,945,000 | 286,995 | 2,231,995 | 20,935,985 | 10.66% |
| 2005 | 755,000 | 276,461 | 1,031,461 | 19,557,211 | 5.27% |

Notes:

- (1) Does not include the rollover of principal due under bond anticipation notes. Debt service on general obligation bonds does not include debt service on special assessment bonds.
- (2) General government expenditures per Table 2.

City of Bedford Heights, Ohio

Demographic Statistics

December 31, 2005

Table 13

| <u>Year</u> | <u>(1) Population</u> | <u>(2) Bedford School District Enrollment</u> | <u>(3) Cuyahoga County Unemployment Rate</u> |
|-------------|---------------------------|---|--|
| 1996 | 12,131 | 3,903 | 4.8% |
| 1997 | 12,131 | 4,004 | 4.1% |
| 1998 | 12,131 | 4,151 | 4.9% |
| 1999 | 12,131 | 4,060 | 4.6% |
| 2000 | 11,375 | 4,049 | 4.6% |
| 2001 | 11,375 | 3,992 | 6.8% |
| 2002 | 11,375 | 3,860 | 6.6% |
| 2003 | 11,375 | 3,826 | 6.2% |
| 2004 | 11,375 | 3,890 | 6.6% |
| 2005 | 11,375 | 3,840 | 6.5% |

Sources:

- (1) U.S. Bureau of Census
- (2) Bedford Board of Education (Bedford, Bedford Heights, Oakwood and Walton Hills)
- (3) Ohio Bureau of Employment Services Division of Labor Market Information

City of Bedford Heights, Ohio

Construction, Bank Deposits and Assessed Property Values

December 31, 2005

Table 14

| <u>Year</u> | <u>Residential Construction Values (1)</u> | <u>Commercial Industrial Construction Values (1)</u> | <u>Commercial Industrial Construction Units (1)</u> | <u>Domestic Bank Deposits In County (2)</u> | <u>(3) Total Assessed Real Property Value (4)</u> |
|-------------|--|--|---|---|---|
| 1996 | \$ 1,663,895 | \$ 4,952,030 | 43 | \$ 27,068,211 | \$ 173,693,510 |
| 1997 | 1,390,511 | 6,534,335 | 53 | 53,941,971 | 171,962,370 |
| 1998 | 1,768,099 | 10,963,117 | 58 | 58,904,596 | 183,750,270 |
| 1999 | 2,670,519 | 4,211,516 | 42 | 57,816,942 | 185,126,960 |
| 2000 | 3,952,179 | 12,511,046 | 78 | 61,942,764 | 211,862,770 |
| 2001 | 3,921,400 | 5,322,846 | 28 | 63,893,769 | 215,690,920 |
| 2002 | 2,530,000 | 3,678,618 | 48 | 95,760,917 | 222,206,660 |
| 2003 | 3,997,783 | 3,506,000 | 53 | 97,911,285 | 236,562,720 |
| 2004 | 1,097,777 | 3,412,908 | 30 | 101,838,959 | 237,163,630 |
| 2005 | 2,350,000 | 7,556,971 | 50 | 109,071,512 | 236,817,590 |

Sources/Notes:

- (1) City of Bedford Heights Building Department
- (2) Federal Reserve Bank of Cleveland shown in thousands of dollars.
- (3) Cuyahoga County Auditor
- (4) Represents the real property values assessed for taxation which represents 35% of estimated true value

City of Bedford Heights, Ohio

Miscellaneous Statistics

December 31, 2005

Table 15

| | | | |
|--------------------------------|-----------------|--|-------------|
| Date of Incorporation: | January 1, 1960 | Fire Protection: | |
| Form of Government: | Mayor/Council | Number of Stations | 1 |
| Area: | 4.5 sq. miles | Number of Fire Personnel and Officers | 27 |
| Miles of Street | 42 | Number of Calls Answered | 1,860 |
| | | Number of Formal Inspections Conducted | 235 |
| | | Police Protection: | |
| City Employees | | Number of Stations | 1 |
| Number of Full- Time Employees | 168 | Number of Police Personnel and Officers | 121 |
| Number of Part- Time Employees | 84 | Number of Patrol Units | 21 |
| Culture and Recreation: | | Number of Law Violations: | |
| Community Centers | 1 | Physical Arrests | 1,449 |
| Parks: | | Traffic Violations | 5,005 |
| Metroparks | 7 | Parking Violations | 297 |
| City Parks | 2 | Sewerage System: | |
| Park Acreage: | | Miles of Sanitary Sewers | 37 |
| City Parks | 33 | Miles of Storm Sewers | 37 |
| Swimming Pools | 2 | Number of Treatment Plants | 1 |
| | | Number of Service Connectors | 3,462 |
| | | Daily Average Treatment in Gallons | 2.5 Million |
| | | Maximum Daily Capacity of Treatment Plant in Gallons | 7.5 Million |

CITY OF BEDFORD HEIGHTS, OHIO

AUDIT REPORT

DECEMBER 31, 2005

**CITY OF BEDFORD HEIGHTS, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005**

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor, Finance Director, and
Members of the City Council
City of Bedford Heights, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford Heights, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City of Bedford Heights, Ohio's basic financial statements and have issued our report thereon dated June 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bedford Heights, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The Honorable Mayor, Finance Director
and Members of the City Council
City of Bedford Heights, Ohio

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Bedford Heights, Ohio, dated June 15, 2006.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 15, 2006

**CITY OF BEDFORD HEIGHTS, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The prior audit report, as of December 31, 2004, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



**Auditor of State
Betty Montgomery**

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CITY OF BEDFORD HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 15, 2006**