



**CITY OF BAY VILLAGE
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF BAY VILLAGE
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Members of City Council
City of Bay Village
Cuyahoga County
350 Dover Center Road
Bay Village, Ohio 44140

We have audited the accompanying general-purpose financial statements of the City of Bay Village, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Bay Village, Cuyahoga County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the general-purpose financial statements, the City implemented Governmental Accounting Statement Nos. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

September 9, 2002

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City of Bay Village, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$2,218,515	\$1,393,235	\$485,646	\$4,105,029
Investments	6,000	0	0	0
Receivables:				
Taxes	3,818,450	1,008,095	1,482,946	26,221
Accounts	55,603	0	0	0
Intergovernmental	1,642,203	288,577	95,817	0
Special Assessment	0	0	111,608	0
Accrued Interest	34,347	10,115	2,667	0
Investment in Joint Venture	0	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund				
for Retirement of General Obligation Bonds	0	0	0	0
Amount Available in Debt Service Fund				
for Retirement of Special Assessment Bonds	0	0	0	0
Amount Available in Special Revenue Fund				
for Accrued Compensated Absences	0	0	0	0
Amount to be Provided from				
General Government Resources	0	0	0	0
Total Assets and Other Debits	\$7,775,118	\$2,700,022	\$2,178,684	\$4,131,250

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$1,092,199	\$740,256	\$228,221	\$0	\$0	\$10,263,101
0	0	0	0	0	6,000
0	0	0	0	0	6,335,712
110,516	0	0	0	0	166,119
0	0	0	0	0	2,026,597
0	0	0	0	0	111,608
0	4,324	0	0	0	51,453
5,406,861	0	0	0	0	5,406,861
7,144,505	0	0	13,113,122	0	20,257,627
0	0	0	0	175,243	175,243
0	0	0	0	313,070	313,070
0	0	0	0	675,238	675,238
0	0	0	0	6,855,811	6,855,811
<u>\$13,754,081</u>	<u>\$744,580</u>	<u>\$228,221</u>	<u>\$13,113,122</u>	<u>\$8,019,362</u>	<u>\$52,644,440</u>

City of Bay Village, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$112,917	\$34,711	\$0	\$1,834
Accrued Wages	29,067	19,350	0	0
Compensated Absences Payable	25,814	1,237	0	0
Intergovernmental Payable	110,519	22,764	0	0
Deferred Revenue	4,013,675	1,211,369	1,690,371	4,997
Accrued Interest Payable	0	0	0	27,851
Notes Payable	0	0	0	1,200,000
Claims Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<i>Total Liabilities</i>	<u>4,291,992</u>	<u>1,289,431</u>	<u>1,690,371</u>	<u>1,234,682</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved, Undesignated (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	66,678	86,479	0	428,626
Reserved for Endowment	0	0	0	0
Unreserved:				
Designated for Compensated Absences	0	675,238	0	0
Unreserved, Undesignated	3,416,448	648,874	488,313	2,467,942
<i>Total Fund Equity and Other Credits</i>	<u>3,483,126</u>	<u>1,410,591</u>	<u>488,313</u>	<u>2,896,568</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$7,775,118</u>	<u>\$2,700,022</u>	<u>\$2,178,684</u>	<u>\$4,131,250</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$482	\$20,384	\$0	\$0	\$0	\$170,328
6,603	0	0	0	0	55,020
2,425	0	0	0	2,453,555	2,483,031
14,442	21,181	30,938	0	152,807	352,651
0	0	0	0	0	6,920,412
0	0	0	0	0	27,851
0	0	0	0	2,300,000	3,500,000
0	64,970	0	0	0	64,970
646,131	0	0	0	0	646,131
0	0	0	0	3,045,000	3,045,000
0	0	0	0	68,000	68,000
<u>670,083</u>	<u>106,535</u>	<u>30,938</u>	<u>0</u>	<u>8,019,362</u>	<u>17,333,394</u>
0	0	0	13,113,122	0	13,113,122
13,825,637	0	0	0	0	13,825,637
(741,639)	638,045	0	0	0	(103,594)
0	0	0	0	0	581,783
0	0	163,623	0	0	163,623
0	0	0	0	0	675,238
0	0	33,660	0	0	7,055,237
<u>13,083,998</u>	<u>638,045</u>	<u>197,283</u>	<u>13,113,122</u>	<u>0</u>	<u>35,311,046</u>
<u>\$13,754,081</u>	<u>\$744,580</u>	<u>\$228,221</u>	<u>\$13,113,122</u>	<u>\$8,019,362</u>	<u>\$52,644,440</u>

City of Bay Village, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2001*

	Governmental	
	General	Special Revenue
Revenues		
Municipal Income Tax	\$4,202,243	\$84,276
Property and Other Taxes	2,892,810	898,836
Charges for Services	605	131,593
Fines, Licenses and Permits	306,599	1,485
Intergovernmental	3,814,689	641,436
Special Assessments	0	0
Contributions and Donations	10,605	32,946
Interest	309,808	81,459
Rent	29,313	0
Other	66,870	30,419
	11,633,542	1,902,450
<i>Total Revenues</i>		
Expenditures		
Current:		
General Government	2,282,214	746
Security of Persons and Property	3,814,899	1,184,134
Public Health and Welfare	217,875	64,460
Transportation	297,405	1,809,984
Community Environment	593,113	40,177
Basic Utility Services	1,656,240	0
Leisure Time Activities	0	766,762
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
	8,861,746	3,866,263
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	2,771,796	(1,963,813)
Other Financing Sources (Uses)		
Proceeds of Notes	0	0
Proceeds of Bonds	0	700,000
Sale of Fixed Assets	0	0
Operating Transfers In	0	1,390,000
Operating Transfers Out	(1,590,000)	0
	(1,590,000)	2,090,000
<i>Total Other Financing Sources (Uses)</i>		
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	1,181,796	126,187
<i>Fund Balances Beginning of Year (Restated - Note 3)</i>	2,301,330	1,284,404
<i>Fund Balances End of Year</i>	\$3,483,126	\$1,410,591

See accompanying notes to the general purpose financial statements

Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$0	\$183,699	\$4,470,218
1,339,647	0	5,131,293
0	0	132,198
0	0	308,084
191,634	25,000	4,672,759
92,936	4,038	96,974
0	70	43,621
78,772	0	470,039
0	0	29,313
0	0	97,289
<u>1,702,989</u>	<u>212,807</u>	<u>15,451,788</u>
53,682	0	2,336,642
0	0	4,999,033
0	0	282,335
0	0	2,107,389
0	0	633,290
0	0	1,656,240
0	0	766,762
0	1,157,351	1,157,351
4,216,000	0	4,216,000
286,613	34,875	321,488
<u>4,556,295</u>	<u>1,192,226</u>	<u>18,476,530</u>
<u>(2,853,306)</u>	<u>(979,419)</u>	<u>(3,024,742)</u>
2,300,000	0	2,300,000
950,000	150,000	1,800,000
0	27,450	27,450
0	810,724	2,200,724
<u>(680,724)</u>	<u>0</u>	<u>(2,270,724)</u>
<u>2,569,276</u>	<u>988,174</u>	<u>4,057,450</u>
(284,030)	8,755	1,032,708
<u>772,343</u>	<u>2,887,813</u>	<u>7,245,890</u>
<u>\$488,313</u>	<u>\$2,896,568</u>	<u>\$8,278,598</u>

City of Bay Village, Ohio
*Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Year Ended December 31, 2001*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Municipal Income Tax	\$3,994,970	\$3,940,812	(\$54,158)
Property and Other Taxes	2,987,740	2,892,810	(94,930)
Charges for Services	15,000	23,921	8,921
Fines, Licenses and Permits	248,025	263,846	15,821
Intergovernmental	2,718,309	3,105,218	386,909
Special Assessments	0	0	0
Contributions and Donations	12,000	10,605	(1,395)
Interest	175,000	292,854	117,854
Rent	27,000	29,313	2,313
Other	88,500	77,408	(11,092)
<i>Total Revenues</i>	<u>10,266,544</u>	<u>10,636,787</u>	<u>370,243</u>
Expenditures			
Current:			
General Government	2,413,899	2,317,539	96,360
Security of Persons and Property	3,959,521	3,820,166	139,355
Public Health and Welfare	224,904	219,675	5,229
Transportation	215,476	218,275	(2,799)
Community Environment	615,686	586,103	29,583
Basic Utility Services	1,639,655	1,608,444	31,211
Leisure Time Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>9,069,141</u>	<u>8,770,202</u>	<u>298,939</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,197,403</u>	<u>1,866,585</u>	<u>669,182</u>
Other Financing Sources (Uses)			
Proceeds of Notes	0	0	0
Proceeds of Bonds	0	0	0
Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(1,590,000)	(1,590,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,590,000)</u>	<u>(1,590,000)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(392,597)	276,585	669,182
<i>Fund Balances Beginning of Year</i>	1,752,469	1,752,469	0
Prior Year Encumbrances Appropriated	80,521	80,521	0
<i>Fund Balances End of Year</i>	<u><u>\$1,440,393</u></u>	<u><u>\$2,109,575</u></u>	<u><u>\$669,182</u></u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$85,000	\$83,763	(\$1,237)	\$0	\$0	\$0
930,440	898,836	(31,604)	1,383,610	1,339,647	(43,963)
124,021	131,593	7,572	0	0	0
0	1,303	1,303	0	0	0
586,086	603,214	17,128	199,220	191,634	(7,586)
0	0	0	50,000	92,936	42,936
64,505	34,946	(29,559)	0	0	0
33,750	75,871	42,121	69,874	109,053	39,179
0	0	0	0	0	0
29,466	30,419	953	0	0	0
<u>1,853,268</u>	<u>1,859,945</u>	<u>6,677</u>	<u>1,702,704</u>	<u>1,733,270</u>	<u>30,566</u>
30,000	558	29,442	57,500	53,682	3,818
1,318,864	1,201,490	117,374	0	0	0
65,827	64,408	1,419	0	0	0
1,939,839	1,908,088	31,751	0	0	0
81,310	40,197	41,113	0	0	0
0	0	0	0	0	0
796,015	776,460	19,555	0	0	0
0	0	0	0	0	0
0	0	0	4,869,000	4,866,000	3,000
0	0	0	321,910	317,337	4,573
<u>4,231,855</u>	<u>3,991,201</u>	<u>240,654</u>	<u>5,248,410</u>	<u>5,237,019</u>	<u>11,391</u>
<u>(2,378,587)</u>	<u>(2,131,256)</u>	<u>247,331</u>	<u>(3,545,706)</u>	<u>(3,503,749)</u>	<u>41,957</u>
0	0	0	2,300,000	2,300,000	0
700,000	700,000	0	950,000	950,000	0
0	0	0	0	0	0
1,445,000	1,390,000	(55,000)	0	0	0
0	0	0	0	0	0
<u>2,145,000</u>	<u>2,090,000</u>	<u>(55,000)</u>	<u>3,250,000</u>	<u>3,250,000</u>	<u>0</u>
(233,587)	(41,256)	192,331	(295,706)	(253,749)	41,957
1,211,222	1,211,222	0	736,506	736,506	0
112,780	112,780	0	0	0	0
<u>\$1,090,415</u>	<u>\$1,282,746</u>	<u>\$192,331</u>	<u>\$440,800</u>	<u>\$482,757</u>	<u>\$41,957</u>

(continued)

City of Bay Village, Ohio
*Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Year Ended December 31, 2001*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$170,000	\$167,525	(\$2,475)
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Fines, Licenses and Permits	0	0	0
Intergovernmental	25,000	25,000	0
Special Assessments	35,000	4,038	(30,962)
Contributions and Donations	0	70	70
Interest	0	0	0
Rent	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>230,000</u>	<u>196,633</u>	<u>(33,367)</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	4,007,567	1,600,738	2,406,829
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>4,007,567</u>	<u>1,600,738</u>	<u>2,406,829</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,777,567)</u>	<u>(1,404,105)</u>	<u>2,373,462</u>
Other Financing Sources (Uses)			
Proceeds of Notes	1,100,000	1,200,000	100,000
Proceeds of Bonds	150,000	150,000	0
Sale of Fixed Assets	27,500	27,450	(50)
Operating Transfers In	130,000	130,000	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,407,500</u>	<u>1,507,450</u>	<u>99,950</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(2,370,067)</u>	<u>103,345</u>	<u>2,473,412</u>
<i>Fund Balances Beginning of Year</i>	<u>3,312,653</u>	<u>3,312,653</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>259,836</u>	<u>259,836</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,202,422</u></u>	<u><u>\$3,675,834</u></u>	<u><u>\$2,473,412</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,249,970	\$4,192,100	(\$57,870)
5,301,790	5,131,293	(170,497)
139,021	155,514	16,493
248,025	265,149	17,124
3,528,615	3,925,066	396,451
85,000	96,974	11,974
76,505	45,621	(30,884)
278,624	477,778	199,154
27,000	29,313	2,313
117,966	107,827	(10,139)
<u>14,052,516</u>	<u>14,426,635</u>	<u>374,119</u>
2,501,399	2,371,779	129,620
5,278,385	5,021,656	256,729
290,731	284,083	6,648
2,155,315	2,126,363	28,952
696,996	626,300	70,696
1,639,655	1,608,444	31,211
796,015	776,460	19,555
4,007,567	1,600,738	2,406,829
4,869,000	4,866,000	3,000
321,910	317,337	4,573
<u>22,556,973</u>	<u>19,599,160</u>	<u>2,957,813</u>
<u>(8,504,457)</u>	<u>(5,172,525)</u>	<u>3,331,932</u>
3,400,000	3,500,000	100,000
1,800,000	1,800,000	0
27,500	27,450	(50)
1,575,000	1,520,000	(55,000)
<u>(1,590,000)</u>	<u>(1,590,000)</u>	<u>0</u>
<u>5,212,500</u>	<u>5,257,450</u>	<u>44,950</u>
(3,291,957)	84,925	3,376,882
7,012,850	7,012,850	0
453,137	453,137	0
<u>\$4,174,030</u>	<u>\$7,550,912</u>	<u>\$3,376,882</u>

City of Bay Village, Ohio
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Year Ended December 31, 2001*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues				
Charges for Services	\$1,653,883	\$876,188	\$4,082	\$2,534,153
Other	342	77,059	150	77,551
<i>Total Operating Revenues</i>	1,654,225	953,247	4,232	2,611,704
Operating Expenses				
Personal Services	618,207	0	0	618,207
Contractual Services	335,778	352,147	13,500	701,425
Materials and Supplies	21,230	0	0	21,230
Claims	0	637,416	0	637,416
Depreciation	274,542	0	0	274,542
Other	10,347	6,700	0	17,047
<i>Total Operating Expenses</i>	1,260,104	996,263	13,500	2,269,867
<i>Operating Income (Loss)</i>	394,121	(43,016)	(9,268)	341,837
Non-Operating Revenues (Expenses)				
Interest	0	35,896	0	35,896
Loss from Joint Venture	(432,251)	0	0	(432,251)
<i>Total Non-Operating Revenues (Expenses)</i>	(432,251)	35,896	0	(396,355)
<i>Net Income (Loss) Before Operating Transfers</i>	(38,130)	(7,120)	(9,268)	(54,518)
Operating Transfers In	70,000	0	0	70,000
<i>Net Income (Loss)</i>	31,870	(7,120)	(9,268)	15,482
<i>Retained Earnings (Deficit)/Fund Balance Beginning of Year (Restated - Note 3)</i>	(773,509)	645,165	206,551	78,207
<i>Retained Earnings (Deficit)/Fund Balance End of Year</i>	(741,639)	638,045	197,283	93,689
<i>Contributed Capital at Beginning and End of Year</i>	13,825,637	0	0	13,825,637
<i>Total Fund Equity End of Year</i>	\$13,083,998	\$638,045	\$197,283	\$13,919,326

See accompanying notes to the general purpose financial statements

City of Bay Village, Ohio
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Year Ended December 31, 2001*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$1,552,050	\$1,567,082	\$15,032
Interest	0	0	0
Other	0	300	300
<i>Total Revenues</i>	<u>1,552,050</u>	<u>1,567,382</u>	<u>15,332</u>
Expenses			
Personal Services	596,525	596,654	(129)
Contractual Services	756,370	431,518	324,852
Materials and Supplies	68,781	37,694	31,087
Claims	0	0	0
Capital Outlay	851,262	520,664	330,598
Other	10,750	10,347	403
Debt Service:			
Principal Retirement	34,100	34,008	92
Interest and Fiscal Charges	0	0	0
<i>Total Expenses</i>	<u>2,317,788</u>	<u>1,630,885</u>	<u>686,903</u>
<i>Excess of Revenues Under Expenses</i>	(765,738)	(63,503)	702,235
Operating Transfers In	<u>70,000</u>	<u>70,000</u>	<u>0</u>
<i>Excess of Revenues and Operating Transfers Over (Under) Expenses</i>	(695,738)	6,497	702,235
<i>Fund Equity Beginning of Year</i>	1,057,865	1,057,865	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$362,127</u></u>	<u><u>\$1,064,362</u></u>	<u><u>\$702,235</u></u>

(continued)

City of Bay Village, Ohio
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Nonexpendable Trust Fund (continued)
For the Year Ended December 31, 2001*

	Internal Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$869,125	\$876,188	\$7,063
Interest	20,000	40,260	20,260
Other	73,440	77,056	3,616
	<i>Total Revenues</i>	<i>993,504</i>	<i>30,939</i>
	962,565	993,504	30,939
Expenses			
Personal Services	0	0	0
Contractual Services	462,250	384,843	77,407
Materials and Supplies	0	0	0
Claims	733,550	658,687	74,863
Capital Outlay	0	0	0
Other	7,500	6,700	800
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
	<i>Total Expenses</i>	<i>1,050,230</i>	<i>153,070</i>
	1,203,300	1,050,230	153,070
<i>Excess of Revenues Under Expenses</i>	(240,735)	(56,726)	184,009
Operating Transfers In	0	0	0
	0	0	0
<i>Excess of Revenues and Operating Transfers Over (Under) Expenses</i>	(240,735)	(56,726)	184,009
<i>Fund Equity Beginning of Year</i>	803,847	803,847	0
Prior Year Encumbrances Appropriated	4,000	4,000	0
	4,000	4,000	0
<i>Fund Equity End of Year</i>	\$567,112	\$751,121	\$184,009

See accompanying notes to the general purpose financial statements

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$4,082	\$4,082	\$2,421,175	\$2,447,352	\$26,177
5,000	0	(5,000)	25,000	40,260	15,260
5,000	150	(4,850)	78,440	77,506	(934)
10,000	4,232	(5,768)	2,524,615	2,565,118	40,503
0	0	0	596,525	596,654	(129)
15,000	14,013	987	1,233,620	830,374	403,246
0	0	0	68,781	37,694	31,087
0	0	0	733,550	658,687	74,863
0	0	0	851,262	520,664	330,598
0	0	0	18,250	17,047	1,203
0	0	0	34,100	34,008	92
0	0	0	0	0	0
15,000	14,013	987	3,536,088	2,695,128	840,960
(5,000)	(9,781)	(4,781)	(1,011,473)	(130,010)	881,463
0	0	0	70,000	70,000	0
(5,000)	(9,781)	(4,781)	(941,473)	(60,010)	881,463
207,064	207,064	0	2,068,776	2,068,776	0
0	0	0	4,000	4,000	0
<u>\$202,064</u>	<u>\$197,283</u>	<u>(\$4,781)</u>	<u>\$1,131,303</u>	<u>\$2,012,766</u>	<u>\$881,463</u>

City of Bay Village, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Year Ended December 31, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$1,567,073	\$0	\$4,082	\$1,571,155
Cash Received from Quasi-External Transactions with Other Funds	0	876,188	0	876,188
Cash Payments to Suppliers for Goods	(20,713)	0	(14,013)	(34,726)
Cash Payments for Employee Services and Benefits	(596,654)	0	0	(596,654)
Cash Payments for Contractual Services	(365,485)	(400,393)	0	(765,878)
Cash Payments for Claims	0	(658,687)	0	(658,687)
Other Operating Revenues	300	76,814	150	77,264
Other Operating Expenses	(10,347)	(6,700)	0	(17,047)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>574,174</u>	<u>(112,778)</u>	<u>(9,781)</u>	<u>451,615</u>
Cash Flows from Noncapital Financing Activities				
Operating Transfers In	<u>70,000</u>	<u>0</u>	<u>0</u>	<u>70,000</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Fixed Assets	(520,664)			(520,664)
Principal Payments - OWDA Loan	(34,008)	0	0	(34,008)
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>(554,672)</u>	<u>0</u>	<u>0</u>	<u>(554,672)</u>
Cash Flows from Investing Activities				
Capital Contributed to Joint Venture	(54,921)	0	0	(54,921)
Interest on Investments	0	44,945	0	44,945
<i>Net Cash Provided by (Used for) Investing Activities</i>	<u>(54,921)</u>	<u>44,945</u>	<u>0</u>	<u>(9,976)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	34,581	(67,833)	(9,781)	(43,033)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,057,618</u>	<u>808,089</u>	<u>207,064</u>	<u>2,072,771</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,092,199</u>	<u>\$740,256</u>	<u>\$197,283</u>	<u>\$2,029,738</u>

(continued)

City of Bay Village, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund (continued)
For the Year Ended December 31, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Reconciliation of Operating Loss to Net Cash Used for Operating Activities				
Operating Loss	<u>\$394,121</u>	<u>(\$43,016)</u>	<u>(\$9,268)</u>	<u>\$341,837</u>
<i>Adjustments:</i>				
Depreciation	274,542	0	0	274,542
(Increase) Decrease in Assets:				
Accounts Receivable	(86,852)	0	0	(86,852)
Increase (Decrease) in Liabilities:				
Accounts Payable	(17,908)	20,384	(513)	1,963
Accrued Wages	3,205	0	0	3,205
Compensated Absences Payable	543	0	0	543
Intergovernmental Payable	6,523	(68,875)	0	(62,352)
Claims Payable	<u>0</u>	<u>(21,271)</u>	<u>0</u>	<u>(21,271)</u>
<i>Total Adjustments</i>	<u>180,053</u>	<u>(69,762)</u>	<u>(513)</u>	<u>109,778</u>
Net Cash Used for Operating Activities	<u><u>\$574,174</u></u>	<u><u>(\$112,778)</u></u>	<u><u>(\$9,781)</u></u>	<u><u>\$451,615</u></u>

Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet:

Cash and Cash Equivalents - All Fiduciary Funds	\$228,221
Cash and Cash Equivalents - All Agency Funds	<u>(30,938)</u>
Cash and Cash Equivalents - Nonexpendable Trust Fund	<u><u>\$197,283</u></u>

See accompanying notes to the general purpose financial statements

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City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 1 - Reporting Entity and Basis of Presentation

The City of Bay Village (the “City”) was incorporated 1908, and adopted its first charter in April, 1949. The Charter provides for a Mayor-Council form of government. The Mayor is elected for a four-year term. Six Council members and a Council President are all are elected to two year terms. The Director of Law and the Director of Finance are appointed by the Mayor.

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City of Bay Village (the primary government) and its potential component units consistent with Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity”.

The primary government of the City consists of all funds, agencies, departments, and offices that are not legally separate from the City. For the City of Bay Village this includes all City departments and agencies that provide the following services: police and fire protection, a street maintenance force, sanitation services, planning and zoning departments, a human resources department, parks and recreation system, a sewage system, and a general administrative staff to provide support for the service groups. The operation of these departments is directly controlled by council through the budgetary process. These departments do not have separate legal standing and are, therefore, included as part of the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City does not have any component units.

The Rocky River Wastewater Treatment Plant is a joint venture among the cities of Bay Village, Westlake, Rocky River, and Fairview Park. The Rocky River Wastewater Treatment Plant is governed by a management board consisting of the elected mayors of the four cities and a fifth person nominated and elected by the mayors. The board has complete authority over all aspects of the plant’s operation.

The City has an explicit and measurable equity interest in the Rocky River Wastewater Treatment Plant. There exists a residual interest in the assets upon dissolution of the joint venture. The City also has an ongoing financial responsibility for its share of the joint venture liabilities. (See Note 16).

The City participates in the Westshore Council of Governments, Safe Air For Environment (S.A.F.E) Council of Governments and the Westshore Area Rescue Association as jointly governed organizations. These organizations are presented in Note 15 in the City’s financial statements.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities

A fund is designed as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The City uses the following fund types and account groups:

Governmental Fund Types Governmental funds are those through which most governmental functions are typically financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities (except for those accounted for in proprietary funds) generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current asset. The following are the City's governmental fund types:

General Fund This fund is the operating fund of the City and is used to account 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 general laws of Ohio.

Special Revenue Funds These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds These funds are used to account for the accumulations of financial resources for, and the payment of general and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Enterprise Funds These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary Fund Types - Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds include a nonexpendable trust fund and agency funds.

Nonexpendable Trust Fund This fund is accounted for in essentially the same manner as proprietary funds.

Agency Funds These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds, including special assessment debt for which the City is obligated in some manner.

Note 2 - Summary of Significant Accounting Policies

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

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) of net current assets.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary and nonexpendable trust funds.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned; revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). 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, interest, grants, fees and rentals.

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, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

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 the governmental funds.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department and fund. Any budgetary modifications at these levels may only be made by resolution of the City Council.

Tax Budget At the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 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 all or part of previously authorized taxes and reviews estimated revenue. 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 year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported in the budgetary statement as final budgeted amounts reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations may not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. During the year, several supplemental appropriation measures were passed; however, none were significant in amount. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to 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 for governmental funds and reported in the notes to the financial statements for proprietary funds.

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 forward to the succeeding year and is not reappropriated.

C. 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 the year, the City's investments were limited to Certificates of Deposits, United States Treasury Notes and Bills, government discount notes and manuscript bonds.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2001 amounted to \$309,808, which includes \$207,987 assigned from other City funds.

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 maturity 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 not purchased from the pool are reported as investments.

D. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

E. Investment in Joint Venture

The investment in the joint venture is reported using the equity method of accounting.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

F. Fixed Assets and Depreciation

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets such as streets, storm sewers and drains, and traffic signals and signs are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed assets utilized in the proprietary fund are capitalized in the fund.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City maintains a capitalization threshold of five hundred dollars. 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 useful life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund types is computed using the straight-line method over an estimated useful life. The estimated useful lives used are as follows:

Description	Enterprise
Buildings	20-45 years
Equipment	5-20 years
Vehicles	3-12 years
Water and Sewer Lines	50 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2001, interest incurred on proprietary fund construction projects was immaterial.

G. Contributed Capital

Contributed capital represents resources provided prior to 2001, to the proprietary funds from developers, customers or other funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. As a result of implementing GASB Statement No. 33, capital contributions received during 2001 are reported as revenue on the operating statement and included in retained earnings.

H. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year end are considered not to have been made with current

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

expendable available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

I. Interfund Transactions

Quasi-external transactions are accounted for as revenue and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

J. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Fund Equity

Reserves of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, including amounts legally segregated for a specific future use. Fund balances are reserved for encumbrances. Fund balance has also been reserved for endowments to indicate that the principal is legally restricted. The fund balance of the accrued benefits special revenue fund has been designated for payment of accrued compensated absences.

L. Estimates

The preparation of 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.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

M. Total Columns on Combined Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 – Change in Accounting Principles and Restatement of Prior Year Fund Balance/Retained Earnings

For 2001, the City has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions,” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues.” GASB Statements No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or modified accrual basis of accounting is required. For revenue recognition to occur on the modified accrual basis, however, the criteria established for accrual basis revenue recognition must be met and the revenue must be available. The provisions of Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001. During 2001, it was determined that accrued interest payable in the police station building capital projects fund was overstated. The changes in accounting principles and the correction of this error had the following effect on fund balance/retained earnings at December 31, 2000:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>
Fund Balance/Retained Earnings, December 31, 2000	\$2,317,648	\$1,279,702	\$2,839,047	\$211,144
GASB 33 and 36 Application to Intergovernmental Receivable	(16,318)	4,702	(5,744)	(4,593)
Overstatement of Accrued Interest Payable	0	0	54,510	0
Adjusted Fund Balance/ Retained Earnings, December 31, 2000	<u>\$2,301,330</u>	<u>\$1,284,404</u>	<u>\$2,887,813</u>	<u>\$206,551</u>

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 4 – Fund Accountability and Compliance

A. Fund Deficits

The following funds had a deficit fund balances/retained earnings as of December 31, 2001:

Fund Name	Amount of Deficit
Special Revenue Fund:	
Youth Activities	\$1,654
Capital Projects Funds:	
Community Gym Improvement	8,053
Aquatic Center Improvement	2,013
Enterprise Fund:	
Sewer	771,888

The deficit in the youth activities special revenue fund was caused by revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in the funds and provides operating transfers when cash is required, not when accruals occur.

The community gym improvement and aquatic center improvement capital projects funds deficits are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once bonds are issued and the liability is reported in the general long-term obligations account group rather than in the fund, the deficit will be eliminated.

The sewer enterprise fund deficit is caused by including depreciation expense when reporting on a GAAP basis. Management is currently analyzing sewer operations to determine appropriate action to alleviate the deficit.

B. Legal Compliance

Contrary to section 5705.39 Ohio Revised Code, the following fund had final appropriations in excess of final estimated revenues and carryover balances:

Fund	Estimated Resources	Appropriations	Excess
Special Revenue Fund:			
Community Diversion	\$19,173	\$23,810	\$4,637

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Contrary to section 5705.41D, Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

Fund/Program	Appropriations	Expenditures/ Expenses	Excess
General Fund:			
General Government:			
Mayor			
Personal Services	\$100,180	\$100,377	(\$197)
Department of Law			
Personal Services	109,495	109,652	(157)
Finance Department			
Personal Services	213,780	214,307	(527)
Public Buildings			
Personal Services	184,650	184,682	(32)
Security of Persons and Property:			
Fire Department			
Capital Outlay	13,000	13,312	(312)
Transportation:			
Leaf Collection			
Personal Services	153,000	161,362	(8,362)
Community Environment:			
Trees			
Personal Services	120,000	122,105	(2,105)
Basic Utility Services:			
Composting			
Personal Services	62,000	64,894	(2,894)
Rubbish/Garbage			
Contractual Services	64,500	65,330	(830)
<i>Special Revenue Funds:</i>			
Emergency Paramedic Fund			
Security of Persons and Property			
Contractual Services	19,635	20,838	(1,203)
Parks and Recreations Fund			
Leisure Time Activities			
Personal Services	401,240	410,147	(8,907)
Play in Bay Fund			
Leisure Time Activities			
Materials and Supplies	0	28	(28)
Street Construction Fund			
Transportation			
Contractual Services	128,982	136,767	(7,785)
Dwyer Fund			
Public Health and Welfare			
Other	38,527	39,331	(804)
Cahoon Trust Fund			
Leisure Time Activities			
Personal Services	12,480	12,661	(181)
<i>Enterprise Fund:</i>			
Sewer Fund			
Personal Services	596,525	596,654	(129)

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual -All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types or as note disclosure in the proprietary fund types (GAAP).
4. Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
6. Unreported Cash represents amounts received/paid but not included as revenue/expenditure on the budget basis operating statements. These amounts are included as revenue/expenditure on the GAAP basis operating statements.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$1,181,796	\$126,187	(\$284,030)	\$8,755
Net Adjustments for Revenue Accruals	(998,701)	(42,505)	30,281	(696,898)
Proceeds of Notes	0	0	0	1,200,000
Unrecorded Cash	1,946	0	0	0
Net Adjustment for Expenditure Accruals	167,328	(25,506)	0	(660,041)
Transfers for repayment of debt	0	0	0	680,724
Encumbrances	(75,784)	(99,432)	0	(429,195)
Budget Basis	<u>\$276,585</u>	<u>(\$41,256)</u>	<u>(\$253,749)</u>	<u>\$103,345</u>

Net Income (Loss)/Excess of Revenues
and Operating Transfers Over (Under) Expenses
All Proprietary Fund Types and Nonexpendable Trust Fund

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>
GAAP Basis	\$31,870	(\$7,120)	(\$9,268)
Net Adjustment for Revenue Accruals	(86,587)	19,911	0
Unrecorded Cash	(256)	(15,550)	0
Capital Contribution to Joint Venture	(54,921)	0	0
Loss from Joint Venture	432,251	0	0
Net Adjustment for Expenditure Accruals	(41,645)	(53,967)	(513)
Capital Outlay	(520,664)	0	0
Depreciation Expense	274,542	0	0
Encumbrances	(28,093)	0	0
Budget Basis	<u>\$6,497</u>	<u>(\$56,726)</u>	<u>(\$9,781)</u>

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 6 - Deposits and Investments

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

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

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

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

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

Interim monies 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 exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

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

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

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reserve Repurchase Agreements".

Deposits At year-end, the carrying amount of the City's deposits was \$2,697,709 and the bank balance was \$2,563,701. Of the bank balance:

1. \$350,217 was covered by federal depository insurance.
2. \$2,213,484 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments Investments are classified under guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is unclassified investments since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Fair Value
Manuscript Bonds	\$6,000	\$0	\$6,000
Repurchase Agreement		1,284,000	1,284,000
U.S. Treasury Bills	0	1,496,641	1,496,641
Federal Home Loan Notes	0	2,499,250	2,499,250
Federal National Mortgage Note	0	2,285,501	2,285,501
Total Investments	\$6,000	\$7,565,392	\$7,571,392

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$10,263,101	\$6,000
Investments which are part of a cash management pool:		
Repurchase Agreement	(1,284,000)	1,284,000
U.S. Treasury Bills	(1,496,641)	1,496,641
Federal Home Loan Notes	(2,499,250)	2,499,250
Federal National Mortgage Note	(2,285,501)	2,285,501
GASB Statement 3	\$2,697,709	\$7,571,392

Note 7 - Receivables

Receivables at December 31, 2001, consisted primarily of municipal income taxes, property taxes, accounts (billings for user charged services including unbilled utility services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) are for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$15.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Real Property	\$396,013,510
Tangible Personal Property	3,638,822
Public Utility Property	<u>5,985,650</u>
Total	<u><u>\$405,637,982</u></u>

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the county, including the City of Bay Village. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is offset by deferred revenue.

B. Intergovernmental

A summary of intergovernmental receivables as of December 31, 2001, follows:

	Amount
<i>General Fund:</i>	
Estate Tax	\$1,043,948
Homestead and Rollback	206,906
Court Costs	3,133
Local Government	<u>388,216</u>
<i>Total General Fund</i>	<u><u>1,642,203</u></u>
<i>Special Revenue Funds:</i>	
Street Construction Fund	200,010
Paramedic Fund	37,194
State Highway Fund	24,095
Recreation Fund	12,316
Fire Pension Fund	7,390
Police Pension Fund	7,390
Alcohol Intervention Fund	<u>182</u>
<i>Total Special Revenue</i>	<u><u>288,577</u></u>
<i>Debt Service Fund:</i>	
Bond Retirement Fund	<u>95,817</u>
Total	<u><u>\$2,026,597</u></u>

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

C. Income Taxes

The City levies a municipal income tax of one and one-half percent on substantially all income earned within the City. In addition, City residents are required to pay tax on income earned outside of the City. The City allows a credit for income tax paid to another municipality which reduces the effective tax rate to one percent for such earnings.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, ninety-four percent of the annual income tax proceeds were credited to the general fund, two percent to the accrued benefits special revenue fund, and four percent to the equipment replacement capital projects fund.

The Regional Income Tax Collection Agency administers and collects income tax for the City. Amounts collected are remitted monthly to the City.

Note 8 - Fixed Assets and Depreciation

A summary of changes in general fixed assets at December 31, 2001, were as follows:

	Balance 12/31/00	Additions	Deductions	Balance 12/31/01
Land and Improvements	\$800,618	\$163,682	\$0	\$964,300
Buildings	5,301,648	455,044	(22,800)	5,733,892
Machinery and Equipment	2,470,684	108,904	(9,400)	2,570,188
Vehicles	3,714,130	351,581	(220,969)	3,844,742
Total	\$12,287,080	\$1,079,211	(\$253,169)	\$13,113,122

A summary of the enterprise funds' property, plant, and equipment at December 31, 2001, follows:

	Enterprise
Land	\$50,000
Buildings	938,858
Equipment	373,301
Vehicles	1,131,931
Sewer Lines	8,232,860
Total	10,726,950
Less: Accumulated Depreciation	(3,582,445)
Net Fixed Assets	\$7,144,505

Note 9 - Risk Management

The City of Bay Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2001, the City contracted with one company for various types of insurance as follows:

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Clarendon National	Property/Inland Marine	\$10,641,388
	Public Official and Liability	1,000,000
	Boiler	5,000,000
	General Liability	1,000,000/2,000,000
	Automobile Liability, Comprehensive and Collision	1,000,000
	Law Enforcement	1,000,000

Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage from the prior year.

The City participates in the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for injured employees. The maintenance of these benefits is accounted for in the Workers Compensation internal service fund. Incurred but not reported claims of \$9,484 have been accrued as a liability at December 31, 2001, based on an estimate by the third party administrator.

The City manages the hospital/medical, dental, and life insurance benefits for its employees on a self-insured basis using an internal service fund. A third party administrator processes and pays the claims. The City purchases stop-loss coverage to insure against catastrophic claims. Incurred but not reported claims of \$55,486 have been accrued as a liability at December 31, 2001, based on an estimate by the third party administrator. An excess coverage insurance (stop-loss) policy covers claims in excess of \$60,000 per employee.

The claims liability of \$64,970 reported in the funds at December 31, 2001, was estimated by reviewing current claims and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount in 2001, 2000 and 1999 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$63,377	\$709,315	\$627,553	\$145,139
2000	145,139	525,266	584,164	86,241
2001	86,241	637,416	658,687	64,970

Note 10 - Defined Benefit Pension Plans

A. Public Employees Retirement

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

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$361,830, \$183,729 and \$319,001, respectively. The full amount has been contributed for 2000 and 1999. 73.84 percent has been contributed for 2001, with the remainder being reported as a liability in the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.5 percent for firefighters. For 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$157,684 and \$250,186 for the year ended December 31, 2001, \$148,616 and \$249,010 for the year ended December 31, 2000 and \$147,439 and \$257,133 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 75.96 and 74.94 percent, respectively, have been contributed for 2001, with the remainder being reported as a liability in the general long-term obligations account group.

Note 11 – Postemployment Benefits

A. Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

City of Bay Village, Ohio
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For The Year Ended December 31, 2001

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$168,202. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$98,553 for police and \$113,721 for fire. The OP&F's total health care expense for the year ended December 31, 2000, (the latest information available) was \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

Note 12 – Other Employee Benefits

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Employees earn vacation at different rates, depending on years of service. In general, vacation earned in any one year must be used the following year, and cannot be carried over except with the written approval of the Mayor. At the time of separation, the employee is entitled to payment for any earned but not unused vacation within statutory limits. Fire Department employees are limited to the payment of six weeks of accumulated but unused vacation by collective bargaining agreement. Overtime is paid in the period in which it is worked, except for the Police and Fire Department Employees, who may accumulate overtime within statutory limits. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

Sick leave may be accumulated without limit. Upon retirement or death, employees are entitled to payment of any accumulated but unused sick leave as follows: Police (including dispatchers and jailers) and Fire Department employees at 50 percent and 40 percent respectively, provided the employee has at least 15 years of service. All other employees are paid 25 percent of accumulated but unused sick leave after 10 years, 40 percent after 15 years and 50 percent after 20 years. As of December 31, 2001, the liability for unpaid compensated absences was \$2,483,031.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 13 – Long-Term Obligations

A summary of changes in long-term obligations of the City during 2001 are as follows:

	Original Issue Amount	Outstanding 12/31/2000	Additions	Reductions	Outstanding 12/31/2001
General Long-Term Obligations:					
General Obligation Bonds:					
1993 3.69% Various Improvements	\$1,050,000	\$150,000	\$0	\$50,000	\$100,000
1994 4.67% Street Improvements (Queenswood)	563,100	71,850	0	71,850	0
1996 4.62% Street Improvements (Kenilworth)	608,250	121,650	0	121,650	0
1996 4.62% Street Improvements (Municipal Program)	600,000	120,000	0	120,000	0
1996 4.62% Various Improvements	153,250	30,650	0	30,650	0
1997 4.94% Various Improvements	700,000	490,000	0	70,000	420,000
1997 4.94% Various Improvements	625,000	250,000	0	125,000	125,000
1999 4.08% Street Improvements	100,000	800,000	0	200,000	600,000
2001 3.30% Street Improvements	1,300,000	0	1,300,000	0	1,300,000
2001 3.30% Motorized Equipment	200,000	0	200,000	0	200,000
2001 3.30% Real Estate Acquisition	300,000	0	300,000	0	300,000
<i>Total General Obligation Bonds</i>		<u>2,034,150</u>	<u>1,800,000</u>	<u>789,150</u>	<u>3,045,000</u>
Special Assessment Bonds:					
1987 7.75% Street Improvements (Cahoon Road)	120,000	42,000	0	6,000	36,000
1991 5.74% Street Improvements (Series 1991-3)	82,000	3,000	0	3,000	0
1994 4.67% Street Improvements	142,250	18,150	0	18,150	0
1996 4.62% Street Improvements	138,500	27,700	0	27,700	0
1997 4.49% Sidewalk Improvements	130,000	54,000	0	22,000	32,000
<i>Total Special Assessment Bonds</i>		<u>144,850</u>	<u>0</u>	<u>76,850</u>	<u>68,000</u>
Notes Payable	3,350,000	3,350,000	2,300,000	3,350,000	2,300,000
Compensated Absences		2,384,512	69,043	0	2,453,555
Pension Obligations		223,387	152,807	223,387	152,807
<i>Total General Long-Term Obligations</i>		<u>8,136,899</u>	<u>4,321,850</u>	<u>4,439,387</u>	<u>8,019,362</u>
Enterprise Fund Obligation:					
2000 0% OPWC Loan		680,139	0	34,008	646,131
Grand Total		<u><u>\$8,817,038</u></u>	<u><u>\$4,321,850</u></u>	<u><u>\$4,473,395</u></u>	<u><u>\$8,665,493</u></u>

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

General obligation bonds will be paid from tax money receipted into the debt service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences reported in the “compensated absences payable” account and the pension liability reported in the “intergovernmental payable” account will be paid from the fund from which the employee’s salaries are paid. The OPWC loan payable will be paid from the sewer fund.

Bond anticipation notes that were refinanced prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the general long-term obligations account and will be paid from the debt service fund.

The City’s overall legal debt margin was \$37,582,437 at December 31, 2001. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000, are as follows:

	General Obligation Bonds	Special Assessment Bonds	OPWC Loan	Totals
2002	\$2,797,930	\$32,230	\$34,007	\$2,864,167
2003	354,070	10,775	34,007	398,852
2004	290,760	10,220	34,007	334,987
2005	79,450	9,665	34,007	123,122
2006	76,300	9,110	34,007	119,417
2007-2011	73,150	8,555	170,035	251,740
2012-2016	0	0	170,035	170,035
2017-2020	0	0	136,026	136,026
Total Principal and Interest	3,671,660	80,555	646,131	4,398,346
Less: Interest	(626,660)	(12,555)	0	(639,215)
Total Principal	<u>\$3,045,000</u>	<u>\$68,000</u>	<u>\$646,131</u>	<u>\$3,759,131</u>

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 14 – Note Debt

The City’s note activity for the year ended December 31, 2001 is as follows:

	<u>Balance</u> <u>12/31/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>12/31/2001</u>
Capital Projects Funds:				
Public Improvement Fund				
2000 4.74%	\$425,000	\$0	\$425,000	\$0
2000 4.74%	175,000	0	175,000	0
2001 3.25%	0	400,000	0	400,000
<i>Total Public Improvement Fund</i>	<u>600,000</u>	<u>400,000</u>	<u>600,000</u>	<u>400,000</u>
Equipment Replacement Fund				
2000 4.74%	50,000	0	50,000	0
Community Gym Improvement Fund				
2001 3.25%	0	400,000	0	400,000
Walker Road Park Improvement Fund				
2001 3.25%	0	300,000	0	300,000
Aquatic Center Improvement Fund				
2001 3.25%	0	100,000	0	100,000
Total Notes	<u><u>\$650,000</u></u>	<u><u>\$1,200,000</u></u>	<u><u>\$650,000</u></u>	<u><u>\$1,200,000</u></u>

All notes are backed by the full faith and credit of the City of Bay Village and mature within one year. The note liability is reflected in the fund which received the proceeds.

The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

Note 15 - Jointly Governed Organization

A. Westshore Council of Governments

The Westshore Council of Governments helps foster cooperation between municipalities in areas effecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each city’s degree of control is limited to its representation on the board. In 2001, the City contributed \$29,283 which represents 9.60 percent of total contributions. Complete financial information statements can be obtained from the City of Rocky River, 21012 Hilliard, Rocky River, Ohio 44116.

The Council has established two subsidiary organizations, The Westshore Hazardous Materials Committee (“HAZMAT”) which provides hazardous material protection and assistance, and the Westshore Enforcement Bureau which provides extra assistance to cities in the form of a swat team.

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

B. S.A.F.E. Council of Governments

The S.A.F.E. Council of Governments was formed between municipalities to oppose changes to Cleveland Hopkins International Airport's traffic pattern. The Cities of Rocky River, Bay Village, Fairview Park, and Westlake govern by a board consisting of the elected mayors. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each City's degree of control is limited to its representation on the board. The City did not contribute to S.A.F.E. in 2001. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard, Rocky River, Ohio 44116.

C. WestShore Area Rescue Association

The WestShore Area Rescue Association (WESHARE) helps foster cooperation between municipalities and hospitals to provide optimum emergency medical services. The Board is comprised of one member from each of the nine participating entities. The Board exercises total control over the operation of the Council including budgeting, contracting, and designating management.

Budgets are adopted by the Board. Each city's degree of control is limited to its representation on the Board. In 2001, the City contributed \$300 to the association.

Note 16 - Joint Venture – Rocky River Wastewater Treatment Plant

The Rocky River Wastewater Treatment Plant (the "plant") is a joint venture among the cities of Rocky River, Bay Village, Fairview Park, and Westlake. The Plant is governed by a management board consisting of the elected mayors of the four member cities and a fifth person nominated and elected by the mayors. The board has complete authority over all aspects of the Plant's operation. The Plant supplies all participating residents of the member cities with sewer services. Each city owns the sewer lines located in its city and bills its residents for usage. Continued existence of the Plant is dependent on the City's continued participation, and the City does have an equity interest in the Plant. The City's equity interest is \$5,406,861 which represents 18.91 percent of the total equity in the Plant. The Plant is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard, Rocky River, Ohio 44116.

Note 17 - Contingencies

A. Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

B. Litigation

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

City of Bay Village, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 18 - Segment Information

The City's enterprise funds account for the provision of sewer services and the operation of a public swimming pool. Segment information for these operations as of and for the year ended December 31, 2001, was as follows:

	Swimming Pool	Sewer	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues	\$150,406	\$1,503,819	\$1,654,225
Operating Income (Loss)	(60,392)	454,513	394,121
Depreciation Expense	7,144	267,398	274,542
Loss from Joint Venture	0	(432,251)	(432,251)
Operating Transfers In	70,000	0	70,000
Net Income (Loss)	9,608	22,262	31,870
Net Working Capital	17,884	1,160,879	1,178,763
Total Assets	41,574	13,712,507	13,754,081
Total Fund Equity	41,574	13,042,424	13,083,998
Encumbrances at December 31, 2001	239	27,854	28,093

Note 19 – Subsequent Event

On June 1, 2002, the City issued \$4,900,000 in various purpose general obligation bonds at a 4.35 percent interest rate with a maturity date of December, 2022.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Members of City Council
City of Bay Village
Cuyahoga County
350 Dover Center Road
Bay Village, Ohio 44140

We have audited the financial statements of the City of Bay Village, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated September 9, 2002 in which report we noted the City implemented Governmental Accounting Statement Nos. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 9, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of finding as item 2001-20818-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 9, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 9, 2002

**CITY OF BAY VILLAGE
CUYAHOGA COUNTY
DECEMBER 31, 2001**

SCHEDULE OF FINDING

FINDING NUMBER	2001-20818-001
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Budgetary Process *

The City's legal level of budget adoption is at the fund, function, and object level. The results of our budgetary test at December 31, 2001 showed a total of 62 instances where expenditures exceeded appropriations at this level. These budgetary violations resulted from a breakdown in the City's monitoring controls. We recommend the City review its monitoring procedures over the budgetary process and modify them as necessary to prevent any budgetary violations from occurring that would significantly impact the City's financial statements. This review should include procedures to anticipate necessary amendments and request Council to approve appropriation amendments before the line item expenditures exceed approved appropriations.



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CITY OF BAY VILLAGE

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
NOVEMBER 7, 2002**